



# LETTER

## FROM THE CEO

**»2019 MARKED A SPECIAL  
YEAR FOR ADIDAS.  
WE ARE STRONGER  
THAN EVER BEFORE.«**  
KASPER RORSTED



## DEAR SHAREHOLDERS,

2019 marked a special year for adidas as we celebrated the 70th anniversary of the company and the completion of our modern workplace, 'World of Sports', our company headquarters. What our founder Adi Dassler started officially as a Franconian crafts business with 47 employees in 1949 is now a truly global brand and international company that has almost 60,000 employees and a presence on all continents.

As we aspire to be the best sports company in the world, we are immensely proud of our history and our roots in Germany. To this day, we live up to the philosophy of Adi Dassler, who always wanted to create the best product for the athlete. Numerous sporting highlights, such as the first world title for the German national football team in 1954, will remain forever connected with the 3-Stripes brand. Timeless products like the adidas Superstar have an established place in fashion.

It was an emotional moment for all employees, including myself, to celebrate our company's birthday together with Adi Dassler's daughter Siggie and other members of the Dassler family, our creative partner Pharrell Williams, tennis icon Stan Smith, football world champion Philipp Lahm, Olympic champions Laura Dahlmeier, Magdalena Neuner and Kristina Vogel, as well as Run DMC, who had a worldwide hit with 'My adidas'.

### 2019 FINANCIAL RESULTS

In terms of business, top-line growth and another strong profitability improvement in 2019 put us in a position to complete our strategic cycle 'Creating the New' successfully. Although held back by supply chain shortages, we increased sales to € 23.6 billion, reflecting currency-neutral growth of 6% and nominal growth of 8%. Our gross margin climbed 20 basis points to 52%. Our operating margin improved 40 basis points to a level of 11.3%, the highest operating margin in the history of our company. Our net income from continuing operations again grew significantly faster than our top line, up 12% to a record € 1.9 billion.

### ATTRACTIVE CASH RETURN TO SHAREHOLDERS

Our strategy 'Creating the New' includes a strong commitment to returning cash to you, our shareholders, through both dividends and share buybacks. In 2019, we continued to deliver on this promise. We completed the second tranche of our current multi-year share buyback program, repurchasing 3.2 million shares for a consideration of € 815 million. Taking into account the dividend payment of € 664 million for the financial year 2018, which was paid out in May 2019, the total amount of cash the company returned to its shareholders in 2019 was again € 1.5 billion.

### FOCUS ON STRATEGIC GROWTH DRIVERS PAYS OFF

Our strategic growth drivers adidas North America, Greater China and E-commerce all contributed over-proportionally to our currency-neutral growth. E-com was our fastest-growing channel with a 34% increase year-over-year, confirming the strategic importance of building the perfect store for our consumers online with adidas.com and reebok.com. Greater China grew at a double-digit rate for the fifth year in a row, up 15%, as we capitalized on important brand and shopping moments such as Singles' Day and an early Chinese New Year. adidas North America was impacted the most by our supply chain shortages, but still grew 7%. This means we continued to gain market share in the largest sporting goods market in the world.

Our top line was driven by growth in all market segments. Our home market Europe returned to growth with a 3% sales increase. Latin America grew 7%, Emerging Markets 13% and Russia/CIS 8%.

### CLEAR COMMITMENT TO SUSTAINABILITY

adidas' commitment to sustainability started way before the topic gained global attention. For 20 years, we have been a change leader in our industry, as evidenced by our inclusion for the 20th time in the Dow Jones Sustainability Indices, a family of benchmarks evaluating the sustainability performance of the largest 2,500 companies listed in the Dow Jones Global Total Stock Market Index.

In terms of integrating sustainability in our business model, we produced a record more than eleven million pairs of shoes containing plastic waste collected from beaches and coastal regions in 2019, more than double the amount produced the year before. From 2024 onward, we are committed to using only recycled polyester. Our fight to end plastic waste is the best expression of our purpose that, through sport, we have the power to change lives. The increasing use of recycled materials is just one example of our sustainability activities. The spectrum ranges from waste prevention and new types of take-back programs for used products, to climate protection. This will contribute to our ultimate goal of climate neutrality in all our activities as well as our supply chain by 2050.

## 2020 OUTLOOK

2020 is the last year of our five-year strategy cycle 'Creating the New'. We have come a long way since we embarked on this journey at the beginning of 2016. We added almost € 7 billion to our top line, drove operating margin up nearly 500 basis points and increased net income by € 1.2 billion. Already today, adidas is a much better and stronger company than ever before. But we will not stop here. Like every athlete, we train and work hard to up our game season after season, year after year. For 2020, we are targeting a currency-neutral sales increase of between 6% and 8%. By further leveraging our scalable operating model, net income is expected to once again grow at a double-digit rate to a level of more than € 2.1 billion. Operating margin is expected to come in between 11.5% and 11.8%. These figures will enable us to fully achieve our 2020 financial ambition.

The company's outlook for 2020 as outlined in this report is subject to change depending on the further developments related to the coronavirus outbreak.

## IN CLOSING

Together with all adidas employees, I am very much looking forward to 2020. It will be an exciting year for our company. We will continue on our international growth track, accelerate our digital transformation and make our product range at adidas and Reebok even more sustainable. Through high-performing athletes, innovative products and inspiring marketing campaigns, adidas will take center-stage at the two major sport events of the year, the UEFA EURO 2020 and the Tokyo Olympics, and other important moments in sport and culture. We will finish our 'Creating the New' strategy with excellence before presenting our new strategy beyond 2020 in November. We are operating in an attractive industry and are well positioned for the future. Success is in our own hands.

Thank you for your ongoing support.

Sincerely yours,



**KASPER RORSTED**

CEO



# EXECUTIVE BOARD

**OUR EXECUTIVE BOARD IS COMPRISED OF SIX MEMBERS. EACH BOARD MEMBER IS RESPONSIBLE FOR AT LEAST ONE MAJOR FUNCTION WITHIN THE COMPANY.**

^  
**Harm Ohlmeyer**  
Chief Financial Officer

^  
**Martin Shankland**  
Global Operations

^  
**Roland Auschel**  
Global Sales

^  
**Brian Grevy**  
Global Brands

^  
**Kasper Rorsted**  
Chief Executive Officer

^  
**Karen Parkin**  
Global Human Resources

## KASPER RORSTED

### CHIEF EXECUTIVE OFFICER

Kasper Rorsted was born in Aarhus, Denmark, in 1962 and is a Danish national. He holds a degree in Business Studies from the International Business School, Denmark, and completed a series of Executive Programs at Harvard Business School, USA. Kasper Rorsted then gained valuable experience within the IT sector through various management positions at Oracle, Compaq and Hewlett Packard. In 2005, Kasper Rorsted joined consumer goods manufacturer Henkel as Executive Vice President Human Resources, Purchasing, Information Technologies and Infrastructure Services. Three years after joining Henkel, he was appointed Chief Executive Officer. In 2016, Kasper Rorsted was appointed to the Executive Board of adidas. After two months as a Board member, he became Chief Executive Officer.

#### Mandates:

- Member of the Board of Directors, Nestlé S.A., Vevey, Switzerland
- Member of the Supervisory Board, Bertelsmann SE & Co. KGaA/Bertelsmann Management SE, Gütersloh, Germany<sup>1</sup>

<sup>1</sup> Until March 31, 2019.

## ROLAND AUSCHEL

### GLOBAL SALES

Roland Auschel was born in Bad Waldsee, Germany, in 1963 and is a German citizen. After obtaining a Bachelor's degree in European Business Studies from the Münster University of Applied Sciences, Germany, and the University of Hull, UK, as well as an MBA from the University of Miami, USA, he joined the adidas team as a Strategic Planner in 1989. During his career with the company, he has held many senior management positions, including Business Unit Manager, Key Account Manager Europe and Head of Region Europe, Middle East and Africa. In 2009, he became Chief Sales Officer Multichannel Markets. In 2013, Roland Auschel was appointed to the Executive Board and is responsible for Global Sales.

**FOR MORE  
INFORMATION ON  
THE ADIDAS AG  
EXECUTIVE BOARD**

[ADIDAS-GROUP.COM/EXECUTIVE-BOARD](https://www.adidas-group.com/executive-board)



## BRIAN GREVY<sup>2</sup> GLOBAL BRANDS

Brian Grevy was born in Kolding, Denmark, in 1971 and is a Danish citizen. After his studies at the Business School in Vejle, Denmark, he held various leadership positions at adidas and Reebok Nordics between 1998 and 2006. In 2006, he transferred to the adidas headquarters in Herzogenaurach, Germany, to become Director Men's Training and, as of 2010, Senior Vice President Training & Regional Sports. From 2012 to 2014, Brian Grevy acted as General Manager adidas Nordics in Stockholm, Sweden. During the years 2014 to 2016, he led the adidas Business Unit Training as General Manager in Herzogenaurach, Germany. He then joined Gant in Stockholm, Sweden, as Chief Marketing Officer, where he became Chief Executive Officer in 2018. In 2020, Brian Grevy was appointed to the adidas Executive Board and is responsible for Global Brands.

### Mandates:

- Member of the Board of Directors, Pitzner Gruppen Holding A/S, Copenhagen, Denmark

<sup>2</sup> Since February 1, 2020.



## HARM OHLMEYER CHIEF FINANCIAL OFFICER

Harm Ohlmeyer was born in Hoya, Germany, in 1968 and is a German national. He holds a degree in Business Studies from the University of Regensburg, Germany, as well as an MBA from Murray State University, USA. Harm Ohlmeyer started his career with adidas in 1998 and gained extensive experience in the areas of Finance and Sales, including responsibility as Senior Vice President Finance TaylorMade-adidas Golf in Carlsbad, USA, Senior Vice President Finance adidas Brand and Senior Vice President Finance for Global Sales (adidas and Reebok). From 2011, he led the company's e-commerce business as Senior Vice President Digital Brand Commerce. From 2014 to 2016, he held additional responsibility as Senior Vice President Sales Strategy and Excellence. In 2017, Harm Ohlmeyer was appointed to the Executive Board and subsequently became Chief Financial Officer and Labor Director.



## KAREN PARKIN

### GLOBAL HUMAN RESOURCES

Karen Parkin was born in Bowden, UK, in 1965, is a British national and also holds a US passport. She obtained a Bachelor's degree in Education from Sheffield Hallam University, UK. Karen Parkin joined adidas in 1997 as Sales Director adidas UK, where she was Head of Customer Service from 2000 to 2001 and Business Development Director from 2001 to 2004. In 2004, she relocated to adidas America as Vice President Business Development, subsequently taking on responsibility for the supply chain function at adidas America in 2007 as Vice President Logistics and Supply Chain North America. In 2013, she was appointed as Senior Vice President Global Supply Chain Management, based both at the company's headquarters in Herzogenaurach and at the adidas America headquarters in Portland, USA. Since 2014, she has held the position of Chief HR Officer. In 2017, Karen Parkin was appointed to the Executive Board and is responsible for Global Human Resources.

Member of the Executive Board until February 26, 2019:

### GIL STEYAERT

#### GLOBAL OPERATIONS

**Mandates:**

- Member of the Supervisory Board, Fashion for Good B.V., Amsterdam, the Netherlands<sup>4</sup>

<sup>4</sup> Until February 26, 2019.



## MARTIN SHANKLAND<sup>3</sup>

### GLOBAL OPERATIONS

Martin Shankland was born in Sydney, Australia, in 1971 and is an Australian national. He holds a Bachelor of Commerce degree from the University of New South Wales, Australia, and completed the Professional Year Program at the Australian Institute of Chartered Accountants. He joined adidas in 1997 as Finance Director for adidas Russia/CIS and was Managing Director from 2000 to 2017. From 2017 to 2019, he led adidas Emerging Markets as Managing Director. In 2019, Martin Shankland was appointed to the Executive Board and is responsible for Global Operations.

<sup>3</sup> Since March 4, 2019.

Member of the Executive Board until December 31, 2019:

### ERIC LIEDTKE

#### GLOBAL BRANDS

**Mandates:**

- Member of the Board of Directors, Carbon, Inc., Redwood City, USA
- Member of the Supervisory Board, Fashion for Good B.V., Amsterdam, The Netherlands<sup>5</sup>

<sup>5</sup> From April 25, 2019 until December 31, 2019.

## SUPERVISORY BOARD

### IGOR LANDAU

CHAIRMAN

residing in Lugano, Switzerland

born on July 13, 1944

Member of the Supervisory Board since  
May 13, 2004

Pensioner

### THOMAS RABE

DEPUTY CHAIRMAN<sup>1</sup>

residing in Berlin, Germany

born on August 6, 1965

Member of the Supervisory Board since  
May 9, 2019

Chairman and Chief Executive Officer,  
Bertelsmann Management SE, Gütersloh,  
Germany

Chief Executive Officer, RTL Group S.A.,  
Luxembourg, Luxembourg

— Member of the Supervisory Board,  
Symrise AG, Holzminden, Germany<sup>2</sup>  
Membership in comparable domestic and  
foreign controlling bodies of commercial  
enterprises

Mandates held in foreign subsidiaries of  
Bertelsmann SE & Co. KGaA:

- Chairman of the Board of Directors,  
Penguin Random House LLC, New York,  
USA
- Member of the Supervisory Board,  
Majorel Group Luxembourg S.A.,  
Luxembourg, Luxembourg<sup>3</sup>

### UDO MÜLLER\*

DEPUTY CHAIRMAN<sup>4</sup>

residing in Herzogenaurach, Germany

born on April 14, 1960

Member of the Supervisory Board since  
October 6, 2016

Director Communication, Herzogenaurach,  
adidas AG, Herzogenaurach, Germany

### PETRA AUERBACHER\*

residing in Emskirchen, Germany

born on December 27, 1969

Member of the Supervisory Board since  
May 9, 2019

Project Manager Creative Direction,  
adidas AG, Herzogenaurach, Germany

### IAN GALLIENNE

residing in Gerpinnes, Belgium

born on January 23, 1971

Member of the Supervisory Board since  
June 15, 2016

Chief Executive Officer, Groupe Bruxelles  
Lambert, Brussels, Belgium

- Member of the Board of Directors,  
Pernod Ricard SA, Paris, France
- Member of the Board of Directors,  
SGS SA, Geneva, Switzerland

Mandates within the Groupe Bruxelles  
Lambert or in entities under common  
control with the Groupe Bruxelles Lambert:

- Member of the Board of Directors,  
Imerys SA, Paris, France
- Member of the Board of Directors,  
Sienna Capital S.à r.l., Strassen,  
Luxembourg
- Member of the Board of Directors,  
Compagnie Nationale à Portefeuille SA,  
Loverval, Belgium
- Member of the Board of Directors, Frère-  
Bourgeois SA, Loverval, Belgium
- Member of the Board of Directors,  
Château Cheval Blanc, Société Civile,  
Saint-Émilion, France
- Member of the Board of Directors, GBL  
Advisors Ltd., London, United Kingdom
- Member of the Board of Directors,  
GBL Development Ltd., London, United  
Kingdom
- Member of the Supervisory Board,  
Marnix French ParentCo SAS (Webhelp  
Group), Paris, France<sup>5</sup>

### ROSWITHA HERMANN\*

residing in Erlangen, Germany

born on December 27, 1962

Member of the Supervisory Board since  
May 9, 2019

Full-time member of the Works Council  
Herzogenaurach, adidas AG,  
Herzogenaurach, Germany  
Deputy Chairwoman of the Works Council  
Herzogenaurach, adidas AG,  
Herzogenaurach, Germany

### HERBERT KAUFFMANN

residing in Stuttgart, Germany

born on April 20, 1951

Member of the Supervisory Board since  
May 7, 2009

Independent Management Consultant,  
Stuttgart, Germany

### KATHRIN MENGES

residing in Großenbrode, Germany

born on October 16, 1964

Member of the Supervisory Board since  
May 8, 2014

Self-employed entrepreneur

Mandates held within the Henkel Group<sup>6</sup>:

- Member of the Supervisory Board,  
Henkel Central Eastern Europe GmbH,  
Vienna, Austria
- Member of the Supervisory Board,  
Henkel Nederland B.V., Nieuwegein, The  
Netherlands
- Member of the Board of Directors,  
Henkel Norden AB, Stockholm, Sweden
- Member of the Board of Directors,  
Henkel Finland Oy, Vantaa, Finland

**BIOGRAPHICAL  
INFORMATION ON OUR  
SUPERVISORY BOARD  
MEMBERS IS AVAILABLE  
ONLINE**

➤ [ADIDAS-GROUP.COM/SUPERVISORY-BOARD](https://adidas-group.com/supervisory-board)

\* Employee representative.

<sup>1</sup> Since May 9, 2019.

<sup>2</sup> Until December 31, 2019; chairmanship until August 7, 2019.

<sup>3</sup> Since January 4, 2019; formerly known as ACR – Advanced Customer  
Relation S.à.r.l.

<sup>4</sup> Since May 9, 2019.

<sup>5</sup> Since November 19, 2019.

<sup>6</sup> Until resigning the Executive Board mandate at  
Henkel AG & Co. KGaA on April 9, 2019.

**ROLAND NOSKO\***

residing in Wolnzach, Germany  
born on August 19, 1958  
Member of the Supervisory Board since  
May 13, 2004

District Manager of the Industrial Union IG  
Bergbau, Chemie, Energie (IG BCE), District  
of Nuremberg, Nuremberg, Germany

- Deputy Chairman of the Supervisory Board,  
CeramTec GmbH, Plochingen, Germany
- Member of the Supervisory Board, Plastic  
Omnium Automotive Exteriors GmbH,  
Munich, Germany

**BEATE ROHRIG\***

residing in Glashütten, Germany  
born on March 24, 1965  
Member of the Supervisory Board since  
May 9, 2019

State District Manager of the Industrial  
Union IG Bergbau, Chemie, Energie (IG BCE),  
State District Bavaria, Munich, Germany

- Member of the Supervisory Board, Evonik  
Nutrition & Care GmbH, Essen, Germany
- Member of the Supervisory Board,  
Heraeus Holding GmbH, Hanau,  
Germany<sup>7</sup>
- Member of the Supervisory Board,  
Wacker Chemie AG, Munich, Germany<sup>8</sup>

**NASSEF SAWIRIS**

residing in London, United Kingdom  
born on January 19, 1961  
Member of the Supervisory Board since  
June 15, 2016

Chief Executive Officer and Member of the  
Board of Directors, OCI N.V., Amsterdam,  
The Netherlands

- Member of the Board of Directors,  
LafargeHolcim Ltd., Jona, Switzerland<sup>9</sup>

**FRANK SCHEIDERER\***

residing in Wilhelmsdorf, Germany  
born on April 16, 1977  
Member of the Supervisory Board since  
May 9, 2019

Director Head Office – Brand & Sales Finance,  
adidas AG, Herzogenaurach, Germany

**MICHAEL STORL\***

residing in Oberreichenbach, Germany  
born on July 3, 1959  
Member of the Supervisory Board since  
May 9, 2019

Full-time member of the Works Council  
Herzogenaurach, adidas AG,  
Herzogenaurach, Germany

**BODO UEBBER**

residing in Stuttgart, Germany  
born on August 18, 1959  
Member of the Supervisory Board since  
May 9, 2019

Independent Management Consultant

- Member of the Supervisory Board,  
Bertelsmann SE & Co. KGaA/  
Bertelsmann Management SE,  
Gütersloh, Germany
- Chairman of the Supervisory Board,  
Daimler Financial Services AG, Stuttgart,  
Germany<sup>10</sup>

Membership in comparable domestic and  
foreign controlling bodies of commercial  
enterprises<sup>11</sup>:

- Member of the Board of Directors, BAIC  
Motor Corporation Ltd., Beijing, China
- Member of the Board of Directors,  
Mercedes-Benz Grand Prix Ltd.,  
Brackley, United Kingdom
- Member of the Board of Directors, Delta  
Topco Ltd., St Helier, Jersey, United  
Kingdom

**JING ULRICH**

residing in Hong Kong, China  
born on June 28, 1967  
Member of the Supervisory Board since  
May 9, 2019  
Vice Chairman of Global Banking and Asia  
Pacific, JPMorgan Chase & Co., New York,  
USA

**GÜNTER WEIGL\***

residing in Oberreichenbach, Germany  
born on April 14, 1965  
Member of the Supervisory Board since  
May 9, 2019

Senior Vice President Global Sports  
Marketing & Brand Relations, adidas AG,  
Herzogenaurach, Germany

**STANDING COMMITTEES  
AS OF MAY 9, 2019****Steering Committee:**

Igor Landau (Chairman),  
Udo Müller\*, Thomas Rabe

**General Committee:**

Igor Landau (Chairman), Udo Müller\*,  
Roland Nosko\*, Thomas Rabe

**Audit Committee:**

Herbert Kauffmann (Chairman), Frank  
Scheiderer\*, Bodo Uebber<sup>12</sup>, Günter Weigl\*

**Nomination Committee:**

Igor Landau (Chairman), Kathrin Menges,  
Thomas Rabe

**Mediation Committee pursuant to § 27  
section 3 Co-Determination Act (MitbestG):**

Igor Landau (Chairman), Roswitha Hermann\*,  
Udo Müller\*, Thomas Rabe

\* Employee representative.  
<sup>7</sup> Until December 31, 2019.  
<sup>8</sup> Since July 18, 2019.

<sup>9</sup> Until May 15, 2019.  
<sup>10</sup> Until May 22, 2019.  
<sup>11</sup> Until resigning the Executive Board mandate at Daimler AG on May 22, 2019.

<sup>12</sup> Since January 1, 2020; Ian Gallienne until December 31, 2019.

**MEMBERS OF THE SUPERVISORY BOARD UNTIL MAY 9, 2019:****SABINE BAUER\***

DEPUTY CHAIRWOMAN

Full-time member of the Works Council

Herzogenaurach, adidas AG

Chairwoman of the European Works Council,  
adidas AG**DR. FRANK APPEL**Chief Executive Officer, Deutsche Post AG,  
Bonn, Germany**DIETER HAUENSTEIN\***

Specialist for job safety, adidas AG

**KATJA KRAUS**Author/Managing Partner, Jung von Matt/  
sports GmbH, Hamburg, Germany**HANS RUPRECHT\***Vice President Customer Service Central,  
adidas AG**KURT WITTMANN\***Full-time member of the Works Council  
Herzogenaurach, adidas AG**WILLI SCHWERDTLE**

DEPUTY CHAIRMAN

Independent Management Consultant as  
well as Partner, WP Force Solutions GmbH,  
Bad Homburg v. d. Höhe, Germany

- Member of the Supervisory Board,  
Eckes AG, Nieder-Olm, Germany
- Chairman of the Supervisory Board,  
Windeln.de SE, Munich, Germany

**DR. WOLFGANG JÄGER\***Research Fellow at the Institute for Social  
Movements at the Ruhr Universität Bochum,  
Expert Commission 'Cultures of  
remembrance of social democracy' of Hans-  
Böckler-Stiftung, Bochum, Germany**HEIDI THALER-VEH\***Full-time member of the Works Council  
Uffenheim, adidas AGChairwoman of the Works Council  
Uffenheim, adidas AGDeputy Chairwoman of the Central Works  
Council, adidas AG**STANDING COMMITTEES UNTIL MAY 9, 2019****Steering Committee:** Igor Landau (Chairman), Sabine Bauer\*, Willi Schwerdtle**General Committee:** Igor Landau (Chairman), Sabine Bauer\*, Roland Nosko\*, Willi Schwerdtle**Audit Committee:** Herbert Kauffmann (Chairman), Ian Gallienne, Dr. Wolfgang Jäger\*, Hans Ruprecht\***Finance and Investment Committee:** Igor Landau (Chairman), Sabine Bauer\*, Dr. Wolfgang Jäger\*, Herbert Kauffmann**Nomination Committee:** Igor Landau (Chairman), Kathrin Menges, Willi Schwerdtle**Mediation Committee pursuant to § 27 section 3 Co-Determination Act (MitbestG):** Igor Landau (Chairman), Sabine Bauer\*, Willi Schwerdtle, Heidi Thaler-Veh\*

\* Employee representative.

# SUPERVISORY BOARD REPORT

## DEAR SHAREHOLDERS,

Last year, the company's success story from the foundation in 1949 up until today was highlighted in an impressive manner by a successful 70th anniversary celebration and the completion of the extension of the headquarters in Herzogenaurach, Germany. From a financial point of view, too, we look back on 2019 as another successful year. Thanks to a sharp focus on our consumers' needs as part of the stringent execution of our strategic business plan 'Creating the New', the company was once again able to increase sales and achieve strong bottom-line growth in the 2019 financial year. While double-digit growth in the key e-commerce sales channel as well as in our focus market Greater China merit special mention, the company's growth as a whole was broad-based, with top-line increases in all regions, including our home market Europe. Supply chain shortages which slowed the company's growth, mainly in North America in the first half of the year, were quickly and permanently mitigated. In light of this sales momentum as well as the continuing high investments into our brands and the scalability of the business, the company is in an excellent position to successfully conclude the strategy cycle 2015-2020 in the current financial year. We continue to ensure that we share the positive development of the company with our shareholders, as underscored by the total cash return from the dividend payout and share buyback of € 1.5 billion in 2019.

### SUPERVISION AND ADVICE IN DIALOGUE WITH THE EXECUTIVE BOARD

In the year under review, we performed all of our tasks laid down by law, the Articles of Association, the German Corporate Governance Code ('Code') and the Rules of Procedure carefully and conscientiously, as in previous years. We regularly advised the Executive Board on the management of the company and diligently and continuously supervised its management activities, assuring ourselves of the legality, expediency and regularity thereof. The Executive Board involved us directly and in a timely and comprehensive manner in all of the company's fundamental decisions.

The Executive Board informed us extensively and regularly through written and oral reports. This information covered all relevant aspects of the company's business strategy, business planning (including finance, investment and personnel planning), the course of business and the company's financial position and profitability. We were also kept up to date on matters relating to accounting processes, the risk situation and the effectiveness of the internal control and risk management systems and compliance as well as all major decisions and business transactions. The Executive Board always explained immediately and in a detailed manner any deviations in business performance from the established plans, and we discussed these matters in depth.

The Executive Board regularly provided us with comprehensive written reports for the preparation of our meetings. We thus always had the opportunity to critically analyze the Executive Board's reports and resolution proposals within the committees and within the Supervisory Board as a whole and to put forward suggestions before passing resolutions after in-depth examination and extensive consultation. At the Supervisory Board meetings, the Executive Board was available to discuss and answer our questions. In the periods between our meetings, the Executive Board also provided us with extensive, timely monthly reports on the current business situation. We critically examined and specifically challenged the information provided to us by the Executive Board.

In the past financial year, the Supervisory Board primarily exercised its duties in plenary sessions. We held eight regular meetings of the entire Supervisory Board, one of which was a constituent meeting and one which took place outside Germany. Moreover, one resolution was passed by way of a circular resolution.

As in previous years, we were able to record a constantly high participation rate in our consultations despite a high number of meetings in the year under review. The overall attendance rate of the members at the meetings of the Supervisory Board and its committees was around 96% in the year under review. Members who were unable to participate in the meetings took part in the resolutions by submitting their vote in writing. [SEE TABLE 1](#)

**Individual meeting participation of the Supervisory Board members** 1  
in meetings of the Supervisory Board in the 2019 financial year

	Number of meetings	Participation	Participation in %
<b>Members of the Supervisory Board as at December 31, 2019</b>			
Igor Landau, Chairman of the Supervisory Board	16	16	100
Udo Müller, Deputy Chairman of the Supervisory Board <sup>1</sup>	12	11	92
Thomas Rabe, Deputy Chairman of the Supervisory Board <sup>2</sup>	9	8	89
Petra Auerbacher <sup>2</sup>	4	4	100
Ian Gallienne	13	12	92
Roswitha Hermann <sup>2</sup>	4	3	75
Herbert Kauffmann	13	13	100
Kathrin Menges	10	10	100
Roland Nosko	14	14	100
Beate Rohrig <sup>2</sup>	4	3	75
Nassef Sawiris	8	8	100
Frank Scheiderer <sup>2</sup>	7	7	100
Michael Stort <sup>2</sup>	4	4	100
Bodo Uebber <sup>2</sup>	4	4	100
Jing Ulrich <sup>2</sup>	4	3	75
Günter Weigl <sup>2</sup>	7	7	100
<b>Members of the Supervisory Board until the end of the Annual General Meeting on May 9, 2019</b>			
Sabine Bauer, Deputy Chairwoman of the Supervisory Board	6	6	100
Willi Schwerdtle, Deputy Chairman of the Supervisory Board	7	7	100
Dr. Frank Appel	4	4	100
Dieter Hauenstein	4	4	100
Dr. Wolfgang Jäger	6	6	100
Katja Kraus	4	4	100
Hans Ruprecht	6	6	100
Heidi Thaler-Veh	4	4	100
Kurt Wittmann	4	4	100

<sup>1</sup> Deputy Chairman of the Supervisory Board from the end of the Annual General Meeting on May 9, 2019

<sup>2</sup> Member of the Supervisory Board from the end of the Annual General Meeting on May 9, 2019

The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, (KPMG) attended all regular meetings of the Supervisory Board, with the exception of the meeting which took place outside Germany, insofar as no Executive Board matters or internal matters of the Supervisory Board were dealt with. KPMG also attended all meetings of the Audit Committee.

In the periods between meetings, the Supervisory Board Chairman and the Audit Committee Chairman maintained regular contact with the Chief Executive Officer and the Chief Financial Officer, conferring on matters such as corporate strategy, business planning and development, the risk situation and risk management as well as compliance. In addition, the Supervisory Board Chairman was informed about events of fundamental importance for the management and for evaluating the situation and development of the company, when necessary also at short notice.

The Supervisory Board also regularly conferred on, in particular, Supervisory Board matters and personnel matters of the Executive Board without the Executive Board.

### TOPICS FOR THE ENTIRE SUPERVISORY BOARD

Our consultations and examinations focused on the following topics:

### SITUATION AND BUSINESS DEVELOPMENT

The development of sales and earnings, the employment situation as well as the financial position of the company and the business development of the company's individual business areas and markets were presented to us in detail by the Executive Board at every Supervisory Board meeting and were discussed regularly. Moreover, we discussed the company's business strategy and the annual and multi-year business planning of the Executive Board. In this context, we were particularly informed on a regular basis about the progress made in mitigating the supply chain shortages in North America. Further topics which were always discussed were the possible impact of global economic developments as well as the development of the individual brands and markets.

The Executive Board outlined the company's situation and retail strategy at the February meeting. We also discussed important potential and pending legal disputes. The Executive Board reported on the financial figures for the 2018 financial year at the balance sheet meeting in March. After in-depth examination of the financial statements, the Supervisory Board approved the annual financial statements and consolidated financial statements as well as the combined Management Report, including the non-financial statement for adidas AG and the Group as at December 31, 2018. The annual financial statements were thus adopted. Prior to the passing of the resolution, the auditor reported on the material results of the audit, including the results of the examination of the content of the non-financial statement commissioned by the Supervisory Board in accordance with § 111 section 2 sentence 4 German Stock Corporation Act (Aktiengesetz – AktG). Furthermore, the Supervisory Board Report to the Annual General Meeting for the 2018 financial year was approved. Finally, we discussed, inter alia, the business development of Reebok and innovation at adidas. At the May meeting, we primarily dealt with

the results for the first quarter of the year under review. Particular topics of the August meeting were the financial results for the second quarter and the first half year. We also discussed the business development in Emerging Markets and dealt in detail with the main sustainability initiatives. At our annual strategy meeting in October, we discussed the details presented by the Executive Board regarding the strategic business plan 'Creating the New'. Another focal point of the October meeting was the development of business in Asia-Pacific. Finally, topics of our December meeting were the 2020 Budget and Investment Plan as well as the marketing and sponsorship agreements concluded in the year under review.

### TRANSACTIONS REQUIRING SUPERVISORY BOARD APPROVAL

In accordance with statutory regulations or the Rules of Procedure of the Supervisory Board, certain transactions and measures require the prior approval of the Supervisory Board. We approved the following measures in the period under review:

In March, we approved the resolutions proposed to the Annual General Meeting on May 9, 2019 ('2019 Annual General Meeting'), including the proposal regarding the appropriation of retained earnings for the 2018 financial year. At the May meeting, we approved the adjusted resolution proposal of the Executive Board on the appropriation of retained earnings. The adjustment was necessary as the number of dividend-entitled shares had decreased since the publication of the invitation to the Annual General Meeting, due to the ongoing share buyback program. Furthermore, we approved Eric Liedtke taking over a supervisory board mandate at Fashion for Good B.V. At our December meeting, after comprehensive consultation, we approved the 2020 Budget and Investment Plan of the Executive Board.

### COMPOSITION OF THE EXECUTIVE BOARD

In the year under review, we dealt extensively with personnel matters of the Executive Board.

We appointed Martin Shankland as a new member of the Executive Board, responsible for Global Operations, with effect from March 2019. Martin Shankland succeeded Gil Steyaert. As successor to Eric Liedtke, we appointed Brian Grevy as a member of the Executive Board, responsible for Global Brands, with effect from February 1, 2020. Moreover, we extended the Executive Board mandates of Karen Parkin, responsible for Global Human Resources, and Harm Ohlmeyer, responsible for Finance, for another five years until 2025, respectively.

In this respect and after in-depth examination, we approved the newly concluded Executive Board service contracts with Martin Shankland and Brian Grevy as well as the amended Executive Board contracts of Karen Parkin and Harm Ohlmeyer as part of the extension of their

mandates. We also discussed the long-term succession planning for the Executive Board based on the General Committee's preparations.

### EXECUTIVE BOARD COMPENSATION

Another focal point of our work was Executive Board compensation. After an in-depth review of the individual performance of the Executive Board members and the achievement of the targets set for the 2018 Performance Bonus and the 2018 tranche for the Long-Term Incentive Plan 2018/2020 ('LTIP 2018/2020'), we resolved upon the performance-related compensation to be paid to the Executive Board members for the 2018 Performance Bonus and the 2018 LTIP tranche at our meetings in February. The Supervisory Board also determined the appropriateness of the Executive Board compensation. Furthermore, after comprehensive consultation, we set the criteria and targets decisive for the 2019 Performance Bonus and the 2019 tranche for the LTIP 2018/2020 along with the individual bonus target amounts for each Executive Board member at our meetings in February and March.

Further detailed information on the Executive Board compensation can be found in the Compensation Report. [SEE COMPENSATION REPORT, P. 30](#)

### CORPORATE GOVERNANCE

The Supervisory Board regularly monitors the application and further development of the corporate governance regulations within the company, in particular the implementation of the recommendations of the Code. The General Committee and the entire Supervisory Board proactively discussed in depth the changed requirements of the German Stock Corporation Act and the Code in regard to corporate governance at their meetings in October and December. Further detailed information on corporate governance within the company can be found in the Declaration on Corporate Governance and Corporate Governance Report. [SEE DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT, P. 24](#)

Following an in-depth discussion, the current Declaration of Compliance pursuant to § 161 AktG was resolved upon by the Executive Board and Supervisory Board of adidas AG in December 2019 and was made permanently available on our website. [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://www.adidas-group.com/s/corporate-governance)

During our consultations regarding the Declaration of Compliance, we particularly discussed the independence of the members of the Supervisory Board as per the respective independence criteria. In the Supervisory Board's assessment, all Supervisory Board members representing the shareholders were independent within the meaning of section 5.4.2 of the Code in the year under review.

In the year under review, no conflicts of interest arose in regard to the Executive Board members. There were also no conflicts of interest within the Supervisory Board. It must be pointed out that the company concluded a contract with a company in which one Supervisory Board member in office until the end of the 2019 Annual General meeting is involved. The Supervisory Board had already approved this contract and the business volume stipulated in this contract in December 2018. In the view of the Supervisory Board, there was no conflict of interest. Nevertheless, as in previous years, the Supervisory Board member concerned did not participate in the voting on the respective resolution.

Both the Supervisory Board and the Audit Committee reviewed the efficiency of their work in the 2018 financial year. The members of the Supervisory Board assessed the work in the entire Supervisory Board and in the Audit Committee as efficient in both cases and resolved upon individual improvements regarding the organization of the Supervisory Board's work. These improvements were implemented in the year under review. The next efficiency examination of the Supervisory Board and Audit Committee is scheduled for the 2020 financial year in light of, inter alia, the changed composition of the Supervisory Board as a result of the new election of the shareholder and employee representatives in 2019.

The members of the Supervisory Board are individually responsible for undertaking any necessary training and further education measures required for their tasks. In the year under review, the company offered the newly elected members of the Supervisory Board an onboarding program relating to the work of the Supervisory Board at adidas AG in order to facilitate the exercise of their mandates. Furthermore, in the context of the Supervisory Board meeting outside Germany, the company enabled members of the Supervisory Board to visit key suppliers in Vietnam.

### EFFICIENT COMMITTEE WORK

In order to perform our tasks in an efficient manner, we have established a total of five standing Supervisory Board committees. [SEE SUPERVISORY BOARD, P. 15](#) The newly elected Supervisory Board resolved at its constituent meeting in May to no longer constitute the Finance and Investment Committee.

The committees prepare resolutions and topics for the meetings of the entire Supervisory Board. Within the legally permissible framework and in appropriate cases, we have furthermore delegated the Supervisory Board's authority to pass certain resolutions to individual committees. With the exception of the Audit Committee, the Supervisory Board Chairman also chairs all the standing committees. Herbert Kauffmann is the Chairman of the Audit Committee.

The respective committee chairmen report to the Supervisory Board on the content and results of the committee meetings on a regular and comprehensive basis.

- The **Steering Committee** did not meet in the year under review.
- The **General Committee** held six meetings in the year under review.
 

The main focus was the preparation of the resolutions of the entire Supervisory Board regarding personnel matters of the Executive Board and Executive Board compensation. The General Committee particularly discussed the resignation of Gil Steyaert and Eric Liedtke, the appointment of Martin Shankland and Brian Grevy as well as the extension of the mandates of Karen Parkin and Harm Ohlmeyer. With reference to the Executive Board compensation, the primary focus was on preparation of the resolutions relating to target achievement for the 2018 Performance Bonus and the 2018 LTIP tranche and the targets for the 2019 Performance Bonus and the 2019 LTIP tranche, as well as on the establishment of the appropriateness of the Executive Board compensation. Furthermore, the General Committee dealt intensively with long-term succession planning for the Executive Board as well as with the changed requirements of the German Stock Corporation Act and the Code in regard to corporate governance.
- The **Audit Committee** held five meetings in the year under review. One resolution was passed by way of a circular resolution. The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail.
 

In addition to the supervision of the accounting process, the committee's work also focused on the examination of the annual financial statements and the consolidated financial statements for 2018, including the combined Management Report and the non-financial statement of adidas AG and the Group, as well as the Executive Board's proposal regarding the appropriation of retained earnings. Following an in-depth review of the audit reports on the annual financial statements and consolidated financial statements with the auditor, the committee decided to recommend that the Supervisory Board approve the 2018 annual financial statements and consolidated financial statements. Furthermore, the audit of the non-financial statement, including the selection and commissioning of the external auditor by the Supervisory Board, was prepared. In addition, the Audit Committee resolved to recommend that the Supervisory Board commission KPMG with the examination of the content of the non-financial statement with limited assurance pursuant to § 111 section 2 sentence 4 AktG. Following in-depth discussions, the Audit Committee also made a recommendation to the Supervisory Board regarding the proposal to the Annual General Meeting 2019 for the appointment of the auditor. The Audit Committee declared to the Supervisory Board that the recommendation is free from undue influence by a third party and that no clause of the kind referred to in Article 16 section 6 of the EU Regulation No. 537/2014 of the European Parliament and of the Council of

April 16, 2014 on specific requirements regarding the statutory audit of public-interest entities has been imposed upon it. A further subject of in-depth discussions was the assignment of the audit mandate to the auditor for the 2019 financial year, the determination of the focus points of the audit, the supervision of the independence and qualification of the auditor as well as the quality of the audit of annual accounts, the determination of the audit fees and ultimately the discussion of the quarterly financial figures and the half year report. The Audit Committee dealt intensively with the monitoring of the effectiveness of the Risk Management System, the Internal Control System and Audit System as well as with the Compliance Management System. Moreover, the committee addressed the findings of Internal Audit and the audit plan. Potential and pending important legal disputes were also discussed. In addition, at every meeting of the Audit Committee, the Chief Compliance Officer gave regular reports on the Compliance Management System and the main compliance cases in the year under review.

In the year under review, the Audit Committee also discussed in depth the financing of the existing pension plans for the Executive Board and employees. Finally, the Audit Committee discussed the regulations for related party transactions which were recently added to the German Stock Corporation Act. According to these regulations, if the value of the transaction exceeds a defined threshold, listed stock corporations may only engage in related party transactions with the approval of the Supervisory Board. The Audit Committee recommended that the Supervisory Board delegate the authorization to approve related party transactions to the Audit Committee. The Supervisory Board approved the respective resolution proposal at its October meeting.

- The **Nomination Committee** held two meetings in the year under review. It particularly prepared the recommendations of the Supervisory Board regarding the shareholder representative election to the 2019 and 2020 Annual General Meeting. In this respect, taking the statutory requirements into account, the suitability and independence of the candidates were discussed. Furthermore, taking into consideration the competency profile for the members of the Supervisory Board defined by the Supervisory Board, a qualification profile was developed. Based on this, the Nomination Committee dealt with suitable candidates for the mandates to be filled within the Supervisory Board.
- The **Mediation Committee** to be established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz — MitbestG) did not have to be convened in the year under review.

## ELECTION AND COMPOSITION OF THE NEW SUPERVISORY BOARD

The terms of office of all members of the Supervisory Board ended upon conclusion of the 2019 Annual General Meeting.

The shareholder representatives on the Supervisory Board were newly elected at the 2019 Annual General Meeting. In light of the expiry of the one-year term of office of Igor Landau, a new Supervisory Board member will be elected in the context of the 2020 Annual General Meeting. For every new election taking place, the Supervisory Board submits its proposals to the Annual General Meeting. Prior to submitting an election proposal, there is a diligent selection process for suitable candidates. The selection criteria for the candidates are based on a pre-defined qualification profile. These selection criteria are based on the objectives of the Supervisory Board regarding its composition, as defined by the Supervisory Board, and take into account the competency profile as well as statutory provisions and the applicable recommendations of the Code.

With the exception of Igor Landau and Herbert Kauffmann, the Supervisory Board proposed that the new Supervisory Board members be appointed for the period from the end of the 2019 Annual General Meeting to the end of the 2024 Annual General Meeting. The Supervisory Board proposed that Igor Landau be appointed until the end of the 2020 Annual General Meeting. The reappointment of Igor Landau for a term of office of only one year serves the purpose of ensuring a smooth handover of the chairmanship of the Supervisory Board. The Supervisory Board proposed that Herbert Kauffmann be appointed until the end of the 2021 Annual General Meeting. The proposal to appoint Herbert Kauffmann for a term of office of only two years is based on the fact that he will then have served as a Supervisory Board member of adidas AG for twelve years. While the Supervisory Board has no doubts about Herbert Kauffmann's independence, the Supervisory Board is already following the recommendations of the new version of the Code as amended on December 16, 2019. According to the Code, as a rule, a member is no longer considered independent after a twelve-year term of office on the Supervisory Board. As set forth in the new version of the Code, the Audit Committee shall always be chaired by an independent member.

The 2019 Annual General meeting approved all election proposals with a large majority.

The employee representatives on the Supervisory Board were newly elected in March 2019. For the first time, the employee representatives were elected by delegates. In this regard, all adidas AG employees eligible to vote elected delegates, who subsequently elected the Supervisory Board members at the assembly of delegates. The candidates thereby elected,

together with the trade union representatives, form the employee representation on the Supervisory Board since the end of the 2019 Annual General Meeting.

The Chairman and his two Deputies as well as the committee members were elected at the constituent meeting of the Supervisory Board. With regard to the representation of women and men, the Supervisory Board complies with the statutory minimum quota pursuant to § 96 section 2 sentence 1 AktG. Prior to the resolution on the election proposals in accordance with § 96 section 2 sentence 3 AktG, both the shareholder representatives and the employee representatives resolved that the minimum quota of 30% women and 30% men on the Supervisory Board shall be fulfilled separately for the shareholder representatives and the employee representatives.

### **EXAMINATION OF THE 2019 ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS**

KPMG audited the 2019 consolidated financial statements prepared by the Executive Board in accordance with § 315e German Commercial Code (Handelsgesetzbuch – HGB) in compliance with the International Financial Reporting Standards (IFRS), as they are to be applied in the EU, and issued an unqualified opinion thereon. The auditor also approved without qualification the 2019 annual financial statements of adidas AG, prepared in accordance with the requirements of the German Commercial Code, and the combined Management Report of adidas AG and the adidas Group. Furthermore, at the request of the Supervisory Board, KPMG audited the non-financial statement. KPMG has been acting as auditor and Group auditor for adidas AG since the 1995 financial year. On the basis of the transitional periods of Article 41 Regulation (EU) No 537/2014, KPMG must not be reappointed after June 17, 2023 and it is mandatory to carry out an external rotation. As the responsible audit partners, auditor Haiko Schmidt has been signing the financial statements since the 2017 financial year and auditor Prof. Dr. Kai Andrejewski since the 2019 financial year. The 2019 Annual General Meeting elected KPMG as auditor and Group auditor upon proposal of the Supervisory Board, corresponding with a recommendation of the Audit Committee. Prior to this, KPMG had confirmed to both the Supervisory Board and Audit Committee that there are no circumstances which could prejudice their independence as auditor or which could cast doubt on KPMG's independence. In this respect, KPMG also declared to which extent non-audit services were rendered for the company in the previous financial year or are contractually agreed upon for the following year. The financial statements, the proposal put forward by the Executive Board regarding the appropriation of retained earnings and the auditor's reports were distributed by the Executive Board to all Supervisory Board members in a timely manner.

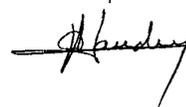
We examined the documents in depth, with a particular focus on legality and regularity, in the presence of the auditor at the Audit Committee meeting held on March 9, 2020 and at the Supervisory Board's March 10, 2020 financial statements meeting, during which the Executive Board explained the financial statements in detail. At both meetings, the auditor reported on the material results of the audit, inter alia with regard to the priority topics agreed and the key audit matters and was available for questions and the provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. We also discussed in depth the Executive Board's proposal concerning the appropriation of retained earnings, which provides for a dividend of € 3.85 per dividend-entitled share, and adopted this increase in the dividend to € 3.85 compared with the previous year, also taking into consideration the good financial situation and business development in the 2019 financial year as well as the company's positive future prospects.

Based on our own examinations of the annual and consolidated financial statements (including the non-financial statement), we came to the conclusion that there are no objections to be raised. At our financial statements meeting, therefore, following the recommendation of the Audit Committee, we approved the audit results and the financial statements including the non-financial statement prepared by the Executive Board. The 2019 annual financial statements of adidas AG were thus approved.

### **EXPRESSION OF THANKS**

On behalf of the entire Supervisory Board, I would like to thank the members of the Supervisory Board who left in the year under review for their commitment for the benefit of the company. Furthermore, I wish to thank the current Executive Board, the departing Executive Board members Gil Steyaert and Eric Liedtke as well as all employees around the world for their great personal dedication and their ongoing commitment. I would also like to express my thanks for the trusting cooperation between the employee and shareholder representatives on the Supervisory Board.

For the Supervisory Board



**IGOR LANDAU**

CHAIRMAN OF THE SUPERVISORY BOARD

March 2020

# DECLARATION ON CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE REPORT<sup>1</sup>

Corporate Governance stands for responsible and transparent management and corporate control oriented toward a sustainable increase in value. We are convinced that good corporate governance is an essential foundation for sustainable corporate success and enhances the confidence placed in our company by our shareholders, business partners, employees and the financial markets. The following report includes the Declaration on Corporate Governance and the Corporate Governance Report and is issued by the Executive Board and Supervisory Board in accordance with the German Corporate Governance Code ('Code') as amended on February 7, 2017, which was published in the Federal Gazette on April 24, 2017 and May 19, 2017 (corrected version).

## DECLARATION BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD OF ADIDAS AG ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO § 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

The Executive Board and Supervisory Board of adidas AG issued their last Declaration of Compliance pursuant to § 161 AktG in February 2019. For the period from the publication of the last Declaration of Compliance, the following Declaration refers to the German Corporate Governance Code ('Code') as amended on February 7, 2017, which was published in the Federal Gazette on April 24, 2017 and May 19, 2017 (corrected version).

The Executive Board and Supervisory Board of adidas AG declare that the recommendations of the Government Commission German Corporate Governance Code have been and are met with the following deviation:

### Maximum number of non-group mandates held by members of the Supervisory Board (section 5.4.5 subsection 1 sentence 2)

One member of the Supervisory Board, Ian Gallienne, holds more than three mandates in supervisory bodies of non-group companies which are listed at a stock exchange or have similar requirements. Ian Gallienne is Chief Executive Officer of Groupe Bruxelles Lambert (GBL). GBL is a holding company and, in its capacity as an institutional investor represented by, inter alia, its Chief Executive Officer, regularly holds mandates in supervisory bodies of portfolio companies. All companies (apart from adidas AG) in which Ian Gallienne holds mandates in supervisory bodies are portfolio companies or subsidiaries of GBL or are under common control with it and thus belong to the same group of companies. They have to be attributed to his main occupation as Chief Executive Officer of GBL. Therefore, we are of the opinion that, as regards its intent and purpose, the recommendation of section 5.4.5 subsection 1 sentence 2 is not applicable to Ian Gallienne. However, as a precaution, we declare a deviation. Moreover, the Supervisory Board has assured itself that Ian Gallienne has sufficient time to perform his Supervisory Board mandate at adidas AG.

Herzogenaurach, December 2019

For the Executive Board KASPER RORSTED Chief Executive Officer	For the Supervisory Board IGOR LANDAU Chairman of the Supervisory Board
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The aforementioned Declaration of Compliance has been published on and can be downloaded from our website.

[ADIDAS-GROUP.COM/5/CORPORATE-GOVERNANCE](https://www.adidas-group.com/5/corporate-governance)

## SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE LARGELY FULFILLED

In addition to the recommendations, the Code contains a number of suggestions for good and responsible corporate governance, compliance with which is not required to be disclosed separately by law. adidas is compliant with the suggestions of the Code except for the suggestion outlined in section 4.2.3 subsection 2 sentence 9 of the Code according to which early disbursements of multiple-year, variable remuneration components should not be permitted.

## DUAL BOARD SYSTEM

As a globally operating public listed company with its registered seat in Herzogenaurach, Germany, adidas AG is subject to, inter alia, the provisions of German stock corporation law. A dual board system, which assigns the management of the company to the Executive Board and advice and supervision of the Executive Board to the Supervisory Board, is one of the fundamental principles of German stock corporation law. These two boards are strictly separated both in terms of members and competencies. In the interest of the company, both Boards cooperate closely.

## COMPOSITION AND WORKING METHODS OF THE EXECUTIVE BOARD

The composition of our Executive Board, which consists of six members, reflects the international character of our company. The Executive Board is responsible for independently managing the company, determining the Group's strategic orientation, agreeing this with the Supervisory Board and ensuring its implementation. Further, it defines business

<sup>1</sup> The Declaration on Corporate Governance and the Corporate Governance Report is an unaudited section of the combined Management Report.

targets, company policy and the organization of the Group. The Executive Board is in charge of preparing the quarterly statements, the company's half year report as well as the annual financial statements and consolidated financial statements and the combined Management Report of adidas AG and the Group. Moreover, it prepares a combined non-financial statement for the company and the Group. Additionally, the Executive Board ensures appropriate risk management and risk controlling as well as compliance with statutory regulations and internal guidelines. In this regard, the Executive Board is responsible for implementing an adequate compliance management system which meets the requirements of the company's risk situation. It is bound to the company's interest and obligated to strive for a sustainable increase in company value.

Notwithstanding the Executive Board's overall responsibility, its members are individually responsible for managing their respective business areas in accordance with the Business Allocation Plan for the Executive Board. There are no Executive Board committees. The Chief Executive Officer is responsible for lead management and development of the company, including the coordination of the business areas, brands and markets. The members of the Executive Board keep each other informed regularly and comprehensively about all significant developments in their business areas and align on all cross-functional measures. Collaboration within the Executive Board is further governed by the Rules of Procedure of the Executive Board and the Business Allocation Plan. These documents specifically stipulate requirements for meetings and resolutions as well as for cooperation with the Supervisory Board.

The Executive Board and Supervisory Board cooperate closely for the benefit of the company. The Executive Board reports to the Supervisory Board regularly, extensively and in a timely manner on all matters relevant for the company's strategy,

planning, business development, financial position and compliance as well as on essential business risks. Fundamental questions related to the corporate strategy and its implementation are thoroughly discussed and agreed with the Supervisory Board. When filling leadership positions in the company, the Executive Board takes diversity into account and aims for, in particular, adequate consideration of women.

No member of the Executive Board has accepted more than a total of three supervisory board mandates in non-group listed companies or in supervisory bodies of non-group companies with comparable requirements. [SEE EXECUTIVE BOARD, P. 11](#)

### COMPOSITION AND WORKING METHODS OF THE SUPERVISORY BOARD

Our Supervisory Board consists of 16 members. It comprises eight shareholder representatives and eight employee representatives in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG). [SEE SUPERVISORY BOARD, P. 15](#) The shareholder representatives are elected by the shareholders at the Annual General Meeting, and the employee representatives by the employees. The most recent regular elections took place in the 2019 financial year. The term of office of all current members of the Supervisory Board commenced at the end of the Annual General Meeting on May 9, 2019 and will, in principle, expire at the end of the 2024 Annual General Meeting. The term of office of Igor Landau expires at the end of the 2020 Annual General Meeting and the term of office of Herbert Kauffmann at the end of the 2021 Annual General Meeting.

#### Objectives for the composition of the Supervisory Board

Due to the Supervisory Board elections in the 2019 financial year, the Supervisory Board confirmed at its meeting in December 2019 the objectives regarding its composition (including the profile of skills and expertise [competency profile] for the full Supervisory Board) which had last been

resolved upon in October 2018, taking into account the recommendations of the Code. These objectives are published on our website. [ADIDAS-GROUP.COM/S/BODIES](https://www.adidas-group.com/s/bodies) According to these objectives, the Supervisory Board should be composed in such a way that qualified supervision of and advice to the Executive Board are ensured. Its members as a whole are expected to have the knowledge, skills and professional experience required to properly perform the tasks of a supervisory board in a capital market-oriented, international company in the sporting goods industry. To this end, it is ensured that the Supervisory Board as a whole possesses the competencies considered essential in view of adidas' activities. This includes, in particular, in-depth knowledge and experience in the sporting goods and sports- and leisurewear industry, in the business of fast-moving consumer-oriented goods and in the areas of technology, digitalization and information technology (including IT security), production, marketing and sales, in particular in the e-commerce and retail sector. Moreover, the Supervisory Board is expected to possess knowledge and experience in the markets relevant for adidas, in particular the Asian and US markets, and in the management of a large international company. Furthermore, the Supervisory Board as a whole must possess knowledge and experience in the areas of business strategy development and implementation, personnel planning and management, accounting and financial reporting, controlling/risk management, governance/compliance as well as corporate social responsibility. At least one member of the Supervisory Board must have expertise in the areas of accounting or auditing of annual accounts. Additionally, the Supervisory Board members as a whole are expected to be familiar with the sporting goods industry.

More than two thirds of the Supervisory Board members should be independent within the meaning of the Code. Moreover, with regard to diversity, it is the Supervisory Board's aim to take into account origin, diverse professional and

international experience and, in particular, adequate representation of both genders for its composition. Furthermore, an adequate number of the shareholder representatives should have long-standing international experience.

In addition, each Supervisory Board member must ensure that they have sufficient time to properly perform the tasks associated with the mandate. An age limit of, in general, 72 years at the time of election should be taken into account. As a rule, the length of membership in the Supervisory Board should not exceed 15 years or three terms of office.

In the Supervisory Board's assessment, the Supervisory Board as a whole fulfills the objectives stated and the competency profile. Together, the members of the Supervisory Board have the knowledge, skills and professional expertise required to properly perform their duties. All of them are familiar with the sector in which the company operates. As they furthermore have extensive knowledge of various professional fields and many years of international experience, they bring a broad spectrum of expertise and experience to the performance of the Supervisory Board's function. Moreover, with Herbert Kauffmann, the Chairman of the Audit Committee, at least one member of the Supervisory Board has proven expertise in the areas of accounting or auditing of annual accounts. The number of female Supervisory Board members currently amounts to five; thus, the statutory minimum quota regarding the composition, namely at least 30% female and at least 30% male members, is fulfilled. Further information on the fulfillment of the quota stipulated in § 96 section 2 sentence 1 AktG is contained in this report. [SEE SECTION 'COMMITMENT TO THE PROMOTION OF EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS', P. 27](#) The members of our Supervisory Board do not exercise directorships or similar positions or advisory tasks for key competitors of the company. Further, they do not have business or personal relations with

adidas AG, its Executive Board and Supervisory Board or a controlling shareholder which may cause a substantial and not merely temporary conflict of interest. No members of the Supervisory Board are former Executive Board members. In the Supervisory Board's assessment, all eight shareholder representatives were independent within the meaning of the Code in the year under review. In accordance with the objectives resolved upon regarding its composition, the Supervisory Board deems this to be an appropriate number. The names of the independent shareholder representatives are set out in the overview of all Supervisory Board members in this Annual Report. [SEE SUPERVISORY BOARD, P. 15](#) Assuming that all of the employee representatives also in principle meet the independence criteria as defined by the Code, in the Supervisory Board's assessment, all of its members were independent in the year under review. Regarding the Supervisory Board's composition, the age limit of, in general, 72 years at the time of election as well as the regular length of membership in the Supervisory Board of, in general, 15 years or three terms of office, was taken into account. The reappointment of Igor Landau, who exceeds both the age limit and the regular length of membership, for a term of office of only one year allows for transfer of the Supervisory Board chairmanship to a new Chairman. The orderly handover to a successor is highly important in particular in view of the fact that we are in the final implementation phase of the strategic business plan 'Creating the New'. This is furthermore in the interest of the company because the company can benefit from Igor Landau's extensive expertise as he will see the strategic business plan through to its completion in the 2020 financial year, thus ensuring a smooth handover to a new Supervisory Board Chairman. Furthermore, Roland Nosko, a union representative on the employee representative side, belonged to the Supervisory Board for more than 15 years upon his reappointment.

The Supervisory Board's election proposals to the Annual General Meeting are prepared by the Nomination Committee. They take into account the objectives regarding the Supervisory Board's composition in accordance with section 5.4.1 of the Code resolved upon by the Supervisory Board and are aimed at fulfilling the competency profile developed by the Supervisory Board for the Board as a whole. The Supervisory Board pays attention to a balanced composition to ensure that the required know-how is represented on as broad a scale as possible. Moreover, the Supervisory Board ascertains that each proposed candidate has sufficient time to perform their mandates.

#### Tasks of the Supervisory Board

The Supervisory Board supervises and advises the Executive Board in questions relating to the management of the company. The Executive Board regularly, expeditiously and comprehensively reports on business development and planning as well as on the company's risk situation including compliance and coordinates the strategy of the company and its implementation with the Supervisory Board. The Supervisory Board examines and approves the annual financial statements and consolidated financial statements as well as the combined Management Report of adidas AG and the Group, taking into consideration the auditor's reports, and resolves upon the proposal of the Executive Board on the appropriation of retained earnings. Additionally, it resolves upon the Supervisory Board's resolution proposals to be presented to the Annual General Meeting. Moreover, the Supervisory Board examines the combined non-financial statement for the company and the Group. Certain business transactions and measures of the Executive Board with fundamental significance are subject to prior approval by the Supervisory Board or by a Supervisory Board committee. The respective details are set out in § 9 of the Rules of Procedure of the Supervisory Board of adidas AG. Furthermore, the requirement of prior Supervisory Board approval is stipulated in some resolutions by the Annual General Meeting.

The Supervisory Board is also responsible for the appointment and dismissal of the Executive Board members as well as for the allocation of their areas of responsibility. The respective proposals are prepared by the General Committee. When appointing new Executive Board members, the Supervisory Board aims to select candidates with a wide range of complementary skills to ensure the best possible Executive Board composition for the company, keeping long-term succession planning in mind. Inter alia, experience, industry knowledge as well as professional and personal qualifications play an important role in this regard. In addition, taking into account the international structure of the company, the Supervisory Board considers diversity. This applies, in particular, also with regard to age, gender, internationality and further important personal qualities. Considering all circumstances of the individual case, the company's interest is always key when deciding who to appoint to a specific Executive Board position. Furthermore, the Supervisory Board determines the Executive Board compensation system, examines it regularly and decides on the individual overall compensation of each Executive Board member. Further information on Executive Board compensation is compiled in the Compensation Report. [SEE COMPENSATION REPORT, P. 30](#)

#### Further information on Corporate Governance

More information on topics covered in this report can be found on our website [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://www.adidas-group.com/s/corporate-governance) including:

- Articles of Association
- Rules of Procedure of the Executive Board
- Rules of Procedure of the Supervisory Board
- Rules of Procedure of the Audit Committee
- Supervisory Board committees (composition and tasks)
- CVs of Executive Board members and Supervisory Board members
- Objectives of the Supervisory Board regarding its composition (including competency profile for the full Supervisory Board)

In order to increase the efficiency of its work and to deal with complex topics, the Supervisory Board has formed five permanent expert committees from within its members, which, inter alia, prepare its resolutions and, in certain cases, pass resolutions on its behalf. These committees are the Steering Committee, the General Committee, the Audit Committee, the Mediation Committee in accordance with § 27 section 3 MitbestG and the Nomination Committee. The tasks, responsibilities and work processes of the committees are in line with the requirements of the German Stock Corporation Act and the Code. The chairmen of the committees report to the entire Supervisory Board on the results of the committee work on a regular basis. Further information on the committees' composition and tasks is available on our website. [ADIDAS-GROUP.COM/S/SUPERVISORY-BOARD-COMMITTEES](https://www.adidas-group.com/s/supervisory-board-committees)

Apart from the individual skills expected of the members, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the tasks and responsibilities as well as the procedure for meetings and passing resolutions. These Rules of Procedure are available on our website. The Supervisory Board Report provides information on the activities of the Supervisory Board and its committees in the year under review. [SEE SUPERVISORY BOARD REPORT, P. 18](#)

The members of the Supervisory Board are individually responsible for undertaking any necessary training and professional development measures required for their tasks and, in doing so, are supported by adidas AG. The company informs the Supervisory Board regularly about current legislative changes as well as opportunities for external training, and provides the Supervisory Board with relevant specialist literature. In this regard, the Supervisory Board also obtained information about the latest corporate governance developments and dealt extensively with the revised version of the Code.

Furthermore, the Supervisory Board and the Audit Committee examine the efficiency of their work on a regular basis. The most recent efficiency examination took place in the 2018 financial year.

The compensation of the Supervisory Board members is set out in the Compensation Report. [SEE COMPENSATION REPORT, P. 30](#)

#### COMMITMENT TO THE PROMOTION OF EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS

When filling leadership positions in the company, the Executive Board takes diversity into account and especially aims for appropriate consideration of women. The Supervisory Board is also convinced that an increase in the number of women in leadership positions within the company is necessary to ensure that, in the future, a larger number of suitable female candidates are available for Executive Board positions. The Supervisory Board thus supports the company's initiatives to foster diversity and inclusion and promote women in leadership positions. [SEE PEOPLE AND CULTURE, P. 70](#)

Pursuant to the Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector, the Supervisory Board determined target figures for the percentage of female representation on the Executive Board, including corresponding deadlines for their achievement, and the Executive Board determined such target figures for the first two management levels, including deadlines for their achievement, for adidas AG.

The target figure for the Executive Board is 1/7 or 14.29%. The deadline for achieving this target figure is June 30, 2022.

The deadline for achieving the target figures for the first and second management levels expired on December 31, 2019. On

the first management level below the Executive Board, the percentage share of women amounted to 20% at the deadline. The target figure of 24% was thus not achieved. This is attributable to, in particular, unplanned departures from the company in the year under review as well as an increase in the total number of senior executives on this management level. In this respect, it must be noted that adidas AG has only a small number of leadership positions on this management level; therefore, minor changes already result in considerable changes in percentage numbers. On the second management level below the Executive Board, the percentage share of women amounted to 28.8% at the deadline. The target figure of 30% was thus not achieved. This target figure was only just missed, mainly because of the reorganization of departments which led to the elimination of a number of leadership positions partly held by women. As at December 31, 2019, female representation in leadership positions amounted to 34% on a global level. The target figure of 32% for the year 2020 has thus already been exceeded. The company will continue to intensify its efforts to remain an attractive employer in the future, with a particular focus on a long-term approach for equal participation in leadership positions.

The Executive Board has once again determined target figures and implementation deadlines for the percentage of female representation on the first and second management levels below the Executive Board. These target figures are as follows:

The target figure for the first management level below the Executive Board is 24.2% and 30% for the second management level below the Executive Board. The implementation period for both targets expires on December 31, 2021.

In accordance with § 96 section 2 sentence 1 AktG, at least 30% of the members of the Supervisory Board have to be female and at least 30% have to be male. Prior to the Supervisory Board election in 2019 and also for the Supervisory Board election in 2020, the shareholder representatives and the employee representatives each resolved in accordance with § 96 section 2 sentence 3 AktG that this minimum quota shall be fulfilled separately for the shareholder representatives and the employee representatives. As at December 31, 2019, altogether five of the 16 Supervisory Board mandates of the company were held by women, two on the shareholder representative side and three on the employee representative side. The minimum quota required is thus fulfilled on both sides.

### AVOIDING CONFLICTS OF INTEREST

The members of the Executive Board and Supervisory Board are obligated to disclose any conflicts of interest to the Supervisory Board without delay. Substantial transactions between the company and members of the Executive Board or related parties of the Executive Board require Supervisory Board approval. Contracts between the company and members of the Supervisory Board also require Supervisory Board approval. The Supervisory Board reports any conflicts of interest, as well as the handling thereof, to the Annual General Meeting. In the year under review, the members of the Executive Board and the members of the Supervisory Board did not face any conflicts of interest. [SEE SUPERVISORY BOARD REPORT, P. 18](#)

### SHARE TRANSACTIONS CONDUCTED BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD

An overview of the transactions of the Executive Board and the Supervisory Board pursuant to Article 19 of the Regulation (EU) No 596/2014 (Market Abuse Regulation) notified to adidas AG in 2019 is published on our website. [ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS](#)

### RELEVANT MANAGEMENT PRACTICES

Our business activities are oriented toward the legal systems in the various countries and markets in which we operate. This implies a high level of social and environmental responsibility. Further information on company-specific practices which are applied in addition to statutory requirements, such as our Code of Conduct ('Fair Play'), on compliance with working and social standards within our supply chain, environmentally friendly resource management in our manufacturing processes and our social commitment, is available in this Annual Report and on our website. [SEE PEOPLE AND CULTURE P. 70](#), [SEE SUSTAINABILITY, P. 78](#), [ADIDAS-GROUP.COM/S/SUSTAINABILITY](#)

### COMPLIANCE AND RISK MANAGEMENT

Compliance with laws, internal and external provisions and responsible risk management are part of corporate governance at adidas. Our compliance management system is linked to the company's risk and opportunity management system. As part of our global 'Fair Play Concept', the compliance management system establishes the organizational framework for company-wide awareness of our internal rules and guidelines and for the legally compliant conduct of our business. It underscores our strong commitment to ethical and fair behavior in our own organization and also sets the parameters for how we deal with others. The principles of our compliance management system are set out in the Risk and Opportunity Report. The risk and opportunity management system ensures risk-aware, opportunity-oriented and informed actions in a dynamic business environment in order to guarantee the competitiveness and sustainable success of adidas. [SEE RISK AND OPPORTUNITY REPORT, P. 120](#)

**Further information on the principles of our management**

More information on topics covered in this report can be found on our website  
[ADIDAS-GROUP.COM/EN](https://www.adidas-group.com/en)  
including:

- Code of Conduct
- Sustainability
- Social commitment
- Risk and opportunity management and compliance
- Information and documents on the Annual General Meeting
- Managers' transactions
- Accounting and annual audit

**TRANSPARENCY AND PROTECTION OF  
SHAREHOLDERS' INTERESTS**

It is our goal to inform all institutional investors, private shareholders, financial analysts, business partners, employees and the interested public about the company's situation, at the same time and to an equal extent, through regular, transparent and up-to-date communication. We publish all essential information, such as press releases, ad hoc announcements and voting rights notifications as well as all presentations from roadshows and conferences, all financial reports and the financial calendar on our website. With our Investor Relations activities, we maintain close and continuous contact with our current and potential shareholders. [ADIDAS-GROUP.COM/S/INVESTORS](https://www.adidas-group.com/s/investors), [SEE OUR SHARE, P. 46](#)

In addition, we provide all documents and information on our Annual General Meeting on our website. The shareholders of adidas AG exercise their shareholders' rights at the Annual General Meeting. Each share grants one vote. Our shareholders are involved in all fundamental decisions at the Annual General Meeting through their participation rights. It is our intention to support our shareholders in exercising their voting rights at the Annual General Meeting. At our next Annual General Meeting, taking place in Fuerth (Bavaria) on May 14, 2020, we will again provide our shareholders with the best possible service. Shareholders have the possibility, inter alia, to electronically register for the Annual General Meeting through our shareholder portal or to participate in voting by granting powers of representation and voting instructions online to the proxies appointed by the company.

**SHARE-BASED PROGRAMS**

A long-term incentive plan, which is part of the remuneration for senior executives of adidas, applies. Based on this plan, the plan participants receive virtual shares (Restricted Stock Units). [SEE NOTE 28, P. 176](#), [SEE PEOPLE AND CULTURE, P. 70](#)

As per their contracts, each member of the Executive Board is entitled to participate in a Long-Term Incentive Plan (LTIP) set up for the Executive Board members. The LTIP 2018/2020 links the long-term compensation of the Executive Board to the company's performance and thus to the interests of the shareholders. The decisive assessment factors are designed in a transparent manner and are linked to the long-term profitability targets externally communicated. Moreover, the long-term compensation of the Executive Board and the long-term compensation of senior management are aligned. The LTIP 2018/2020 is share-based. The adidas shares purchased are subject to a multi-year lock-up period. [SEE COMPENSATION REPORT, P. 30](#)

Employees of adidas AG and its affiliated companies are able to participate in an employee stock purchase plan, under which they can acquire adidas AG shares with a discount and benefit, on a prorated basis, from free matching shares. [SEE NOTE 28, P. 176](#)

**ACCOUNTING AND ANNUAL AUDIT**

adidas AG prepares the annual financial statements in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the Stock Corporation Act. The annual consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor for the 2019 annual financial statements and consolidated financial statements by the Annual General Meeting. The Supervisory Board had previously assured itself of the auditor's independence. [SEE INDEPENDENT AUDITOR'S REPORT, P. 214](#)

# COMPENSATION REPORT

For adidas, transparent and comprehensible reporting on the compensation of the Executive Board and Supervisory Board is an essential element of good corporate governance. The Compensation Report is a component of the combined Management Report and outlines the principles of the compensation system for the members of the Executive Board and Supervisory Board as well as the level and structure of the compensation in accordance with the legal requirements and the recommendations of the German Corporate Governance Code ('Code') as amended on February 7, 2017, which was published in the Federal Gazette on April 24, 2017 and May 19, 2017 (corrected version).

## COMPENSATION OF THE EXECUTIVE BOARD MEMBERS

Following preparation by the Supervisory Board's General Committee, the compensation system for the Executive Board and the total compensation of each member of the Executive Board is determined and regularly reviewed by the entire Supervisory Board. The compensation and personnel topics dealt with by the Supervisory Board and General Committee in the year under review are described in the Supervisory Board Report. [SEE SUPERVISORY BOARD REPORT, P. 18](#)

## COMPENSATION SYSTEM

### PRINCIPLES OF THE COMPENSATION SYSTEM

The compensation system is geared toward creating an incentive for successful, sustainable and long-term corporate management and development. The compensation is thus structured with an appropriate balance of non-performance-related and performance-related components. More than 50% of the performance-related target compensation components are based on mainly future-related, multi-year performance criteria. They are designed in such a way that both positive and negative developments are considered. Moreover, the incentive to achieve the long-term targets decisive for the multi-year performance-related compensation component is higher than the incentive to achieve the targets decisive for being granted the one-year performance-related compensation component. Execution of the corporate strategy is promoted by selecting suitable performance targets for the performance-related compensation. Therefore, at least 80% of the performance-related compensation is directly linked to the short- and long-term sales and profitability targets externally communicated, thus bringing the compensation of the Executive Board members directly in line with the interests of the shareholders. [SEE SECTION 'VARIABLE PERFORMANCE-RELATED COMPONENTS', P. 33](#)

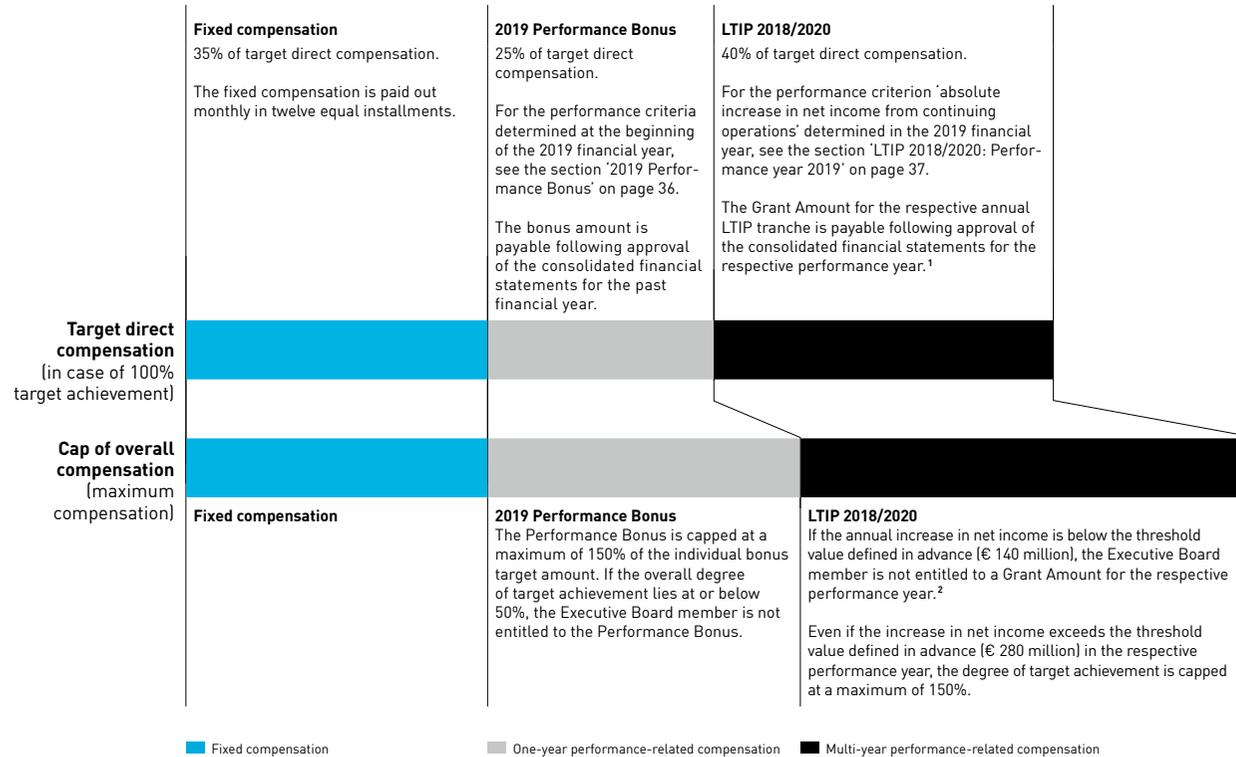
When designing the compensation system and determining the Executive Board compensation, the Supervisory Board takes into account the size and global orientation, the economic situation, the success and the outlook of the company. Furthermore, the Supervisory Board considers the common level of compensation in particular by taking into account the compensation level of the DAX 30 companies and the relation between the Executive Board compensation and

that of senior management and employees overall, also in terms of its development over time. Compared with competitors, the compensation should be attractive, offering incentives to attract qualified members for the Executive Board and retain them long-term. In addition, when determining the compensation, the tasks of the respective Executive Board member and their contribution to the company's success are taken into consideration. The performance-related compensation is measured based on the achievement of ambitious, pre-agreed targets; subsequent changes to performance targets or comparison parameters are not permitted. The compensation system aims to appropriately remunerate exceptional performance, while diminishing performance-related compensation when targets are not met. Thus, in the Supervisory Board's opinion, an appropriate level of compensation, which is reviewed regularly by the Supervisory Board and adjusted if required, is ensured.

The compensation system which has been applicable for the members of the Executive Board since the 2018 financial year was adopted by the shareholders at the Annual General Meeting on May 9, 2018. In view of the Act on the Implementation of the Second Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie – 'ARUG II') and the coming into force of the new version of the German Corporate Governance Code, structural changes to the compensation system for the Executive Board members will become necessary. Furthermore, in late 2020, adidas will present the new long-term strategic business plan applicable from the 2021 financial year and the associated targets. In this context, it is intended to present the revised compensation system to the Annual General Meeting for approval in 2021 in accordance with the provisions of ARUG II. In this way, the new short-term and long-term performance-related compensation components for the Executive Board members can be aligned with the company's new long-term targets applicable from the 2021 financial year.

Compensation system for the Executive Board members

2



The total annual compensation of the Executive Board members is composed of a fixed compensation component, an annual cash bonus ('Performance Bonus'), a long-term share-based bonus (Long-Term Incentive Plan – 'LTIP Bonus') as well as pension benefits and other benefits. In case of 100% target achievement, the target direct compensation (total annual compensation without pension benefits and other benefits) is composed of

- 35% fixed compensation,
- 25% Performance Bonus and
- 40% LTIP Bonus. [SEE DIAGRAM 2](#)

Overall, the Supervisory Board believes that the compensation system is clear and easy to understand and makes use of transparent performance criteria. Due to the fact that the target direct compensation consists predominantly of variable components which are directly linked to the short- and long-term objectives of the company and due to the share-based long-term compensation of the Executive Board members, the interests of the Executive Board are aligned with the interests of the shareholders.

<sup>1</sup> The LTIP Payout Amount must be invested by the Executive Board members in the acquisition of adidas AG shares which are subject to a lock-up period.

<sup>2</sup> If the increase in net income from continuing operations is below € 210 million in the performance year, the target value for 100% target achievement is increased correspondingly for the following performance year. However, if the increase in net income is higher than € 210 million in a performance year, the target for the following performance years remains unaffected.

## FIXED NON-PERFORMANCE-RELATED COMPONENTS

### Fixed compensation

The fixed compensation consists of an annual fixed salary. In principle, it is paid in twelve equal monthly installments and generally remains unchanged during the term of the service contract.

### Other benefits

Other benefits for the Executive Board members primarily consist of paying for, or providing the monetary value of, non-cash benefits such as premiums or contributions to insurance schemes in line with market practice, the provision of a company car or the payment of a car allowance and, if Executive Board members are also subject to taxation abroad, the costs for the tax consultant selected by adidas. The total amount of other benefits is capped at 5% of the total amount of the fixed compensation and a (possible) Performance Bonus granted in the respective financial year ('Benefit Cap'). Moreover, if an Executive Board member has to relocate upon initial appointment to the Executive Board, adidas pays reasonable expenses incurred for international relocations for the Executive Board member and their family; the expenses paid are capped on an individual basis.

### Defined contribution pension plans

The current members of the Executive Board have defined contribution pension plans. Each year, as part of the pension commitments, the virtual pension account of each Executive Board member is credited with an amount which equals a percentage determined by the Supervisory Board and which is related to the Executive Board member's individual annual

fixed compensation. The appropriateness of the percentage is regularly assessed by the Supervisory Board. When making its decision, the Supervisory Board takes into account the targeted individual pension level – also based on the length of service on the Executive Board – and the resulting annual and long-term expenses for the company. The percentage most recently determined by the Supervisory Board amounts to 50%. The pension assets on the virtual pension account at the beginning of the respective calendar year yield a fixed interest rate of 3% p.a., however for no longer than until the pension benefits first become due. As a rule, interest is credited as at the close of December 31 in each calendar year, and on the due date in the year in which the pension benefits are first due. Entitlement to the pension benefits becomes vested immediately.<sup>1</sup>

Entitlements to pension benefits comprise pensions to be received upon reaching the age of 65, or, on application, early retirement pensions to be received upon reaching the age of 62 or invalidity and survivors' benefits.<sup>2</sup>

On occurrence of the pension-triggering event, the pension benefits generally correspond to the balance of the pension account including accumulated interest on that date. In case of invalidity or death prior to reaching the age of 62, for the minimum coverage, the Executive Board member's virtual pension account will be credited with the outstanding pension contributions for the time until the Executive Board member would have reached the age of 62, but no longer than for 120 months (without interest accrual). The pension benefits due upon death of the Executive Board member are payable to the

widow, the widower or the registered civil partner and the children entitled to pension benefits as joint creditors.

At the option of the Executive Board member or the surviving dependents, the payout of all pension benefits is made either as a one-time payment or in up to ten equal annual installments. If no choice is made by the Executive Board member or by the surviving dependents, the pension benefits are paid out in three equal annual installments. As a rule, in case of a payout in annual installments, the installments are due in January of the respective year.<sup>3</sup>

<sup>1</sup> The pension plan for Gil Steyaert, who resigned as a member of the Executive Board in the year under review, deviates from the above: Until the end of his mandate, annual pension contributions were paid for Gil Steyaert into a special account at a financial institute which is subject to access restrictions. The special account and the access restrictions are maintained until occurrence of the pension-triggering event. The rules for this pension plan generally correspond to the rules of the defined contribution pension plans of the current Executive Board members, except that there are no ongoing interest payments and no credited contributions in the case of invalidity or death. The respective annual pension contributions to be determined by the Supervisory Board were therefore increased for Gil Steyaert by an amount determined based on actuarial principles.

<sup>2</sup> The provisions for Karen Parkin and the departed Executive Board member Eric Liedtke deviate from the above: The pension plans for Karen Parkin and Eric Liedtke do not provide for early retirement pensions upon reaching the age of 62.

<sup>3</sup> The provisions for Karen Parkin and the departed Executive Board members Eric Liedtke and Gil Steyaert deviate from the above: The pension plans for Karen Parkin and Eric Liedtke stipulate that the pension benefits are paid out in three equal installments payable in January of the three calendar years following the occurrence of the pension-triggering event. Moreover, under US law, there may be certain waiting periods regarding the payout of the first annual installment. The pension plan for Gil Steyaert stipulates that on occurrence of the pension-triggering event, the access restrictions no longer apply and the amount on the special account at the respective point in time becomes available to him.

## VARIABLE PERFORMANCE-RELATED COMPONENTS

### Performance Bonus

As the annual variable performance-related component, the Performance Bonus serves as compensation for the Executive Board's performance in the past financial year in line with the short-term development of the company. At the beginning of the financial year, the Supervisory Board establishes the respective weighted performance criteria. In case of 100% target achievement, the target amount of the Performance Bonus corresponds to 25% of the target direct compensation of the respective Executive Board member.

The amount of the Performance Bonus is determined based on the achievement of, generally, four weighted criteria. Two of these criteria are the same for all Executive Board members and are overall weighted at 60%. These criteria are directly linked to the annual guidance externally communicated and, at the same time, follow directly from the – also externally communicated – long-term growth targets of adidas. The other two criteria, which are also in line with the company's short- and long-term targets and reflect priorities of the respective Executive Board function also taking into account non-financial aspects, are determined on an individual basis for the respective Executive Board member and are overall weighted at 40%. All criteria are designed in such a way that target achievement may also be zero. When targets are clearly not met, the Performance Bonus may consequently be forfeited entirely. [SEE TABLE 3](#)

At the end of the financial year, the precise target achievement of each Executive Board member, which is, in principle, based on a comparison of the predefined target values with the values achieved in the year under review, is assessed by the Supervisory Board. The Supervisory Board determines the factor by which the Performance Bonus target amount is multiplied by adding up these degrees of target achievement ('overall degree of target achievement'). The result is the individual amount of the Performance Bonus to be paid ('Performance Bonus Amount'). When determining the degrees of target achievement and thus when determining the Performance Bonus Amount, the Supervisory Board may, at its equitable discretion, take into account extraordinary positive and negative developments which are not related to the performance of the Executive Board.

Even in case of an overall degree of target achievement of more than 150%, the Performance Bonus Amount is capped at a maximum of 150% of the individual Performance Bonus target amount. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the Performance Bonus.

If an Executive Board member takes or leaves office during a financial year, the Performance Bonus is generally calculated pro rata temporis based on the overall degree of target achievement determined at the end of the financial year. In certain cases defined in the terms and conditions of the Performance Bonus, entitlement to the payout of a Performance Bonus is generally forfeited.

The Performance Bonus Amount is payable following approval of the consolidated financial statements of the past financial year.

Performance Bonus		3
<b>Performance criteria</b>	<ul style="list-style-type: none"> <li>– two shared criteria (60% weighting): directly linked to the annual guidance externally communicated and, at the same time, following directly from the – also externally communicated – long-term growth targets of adidas</li> <li>– two individual criteria: related to the respective Executive Board function (40% weighting), both financial and non-financial targets are considered</li> </ul>	
<b>Transparency of the performance criteria</b>	– two shared criteria are transparent and, in case of 100% target achievement, are in line with the guidance externally communicated	
<b>Cap</b>	<ul style="list-style-type: none"> <li>– capped at a maximum of 150%</li> <li>– no payout if overall degree of target achievement lies at or below 50%</li> </ul>	

### Long-Term Incentive Plan 2018/2020 ('LTIP 2018/2020')

The LTIP 2018/2020 aims to link the long-term performance-related compensation of the Executive Board to the company's performance and thus to the interests of the shareholders. Therefore, the LTIP 2018/2020 is share-based. It consists of three annual tranches (2018, 2019 and 2020) and each tranche is assessed based on a period of approximately four and a half years. Each of the three annual LTIP tranches consists of a performance year and a subsequent lock-up period of slightly more than three years. [SEE TABLE 4](#)

<b>LTIP 2018/2020</b>	<b>4</b>
<b>Performance criterion</b>	– one shared criterion: absolute increase in net income from continuing operations
<b>Transparency of the performance criterion</b>	– criterion for the respective performance year is transparent and, in case of 100% target achievement, is in line with the long-term growth targets externally communicated – externally communicated threshold values which are defined in advance
<b>Cap</b>	– capped at a maximum value of 150% – no payout in case of result below the threshold value defined in advance
<b>Clawback/malus</b>	yes
<b>Share-based</b>	yes
<b>Time period</b>	approx. 4.5 years
<b>Compensation of Executive Board and senior management aligned</b>	yes

At the beginning of 2018, the Supervisory Board determined for each of the three performance years (2018, 2019 and 2020) the absolute increase in net income from continuing operations compared to the respective previous year as performance criterion. The target values for the annual LTIP tranches follow directly from the externally published long-term net income growth targets of the company. For instance, if net income from continuing operations increased by a total of € 630 million (100% target achievement) in the three-year period from 2018 to 2020, net income from continuing operations would amount to € 2,060 million in 2020. Compared to 2015 (basis of adidas' corporate strategy), this would correspond to an average increase in net income of 23% per year, which would be within the target corridor of 22% to 24%, as defined by adidas in its current strategic business plan.

SEE TABLE 5

<b>LTIP 2018/2020: Growth targets</b>	<b>5</b>
	<b>Growth target for net income from continuing operations</b>
<b>Performance year</b>	
2018 (compared to 2017 <sup>1</sup> )	+ € 210 million
2019 (compared to 2018)	+ € 210 million
2020 (compared to 2019)	+ € 210 million

<sup>1</sup> The basis for 2017 is net income from continuing operations in the amount of € 1,430 million (without the negative tax-related one-time effect in the 2017 financial year).

If the increase in net income from continuing operations is below € 210 million in the respective performance year, the target value for 100% target achievement is increased correspondingly for the following performance year, unless the Supervisory Board decides otherwise at its equitable discretion. For instance, if net income increased by only € 180 million in the past performance year, net income in the following performance year must be increased by € 240 million for 100% target achievement. However, if the increase in net income is higher than € 210 million in a performance year, the target for the following performance year remains unaffected. So despite a net income increase in 2019 of € 263 million (2018: € 279 million), reflecting a target achievement of 138% (2018: 149%), net income in the following performance year 2020 must still be increased by € 210 million for a target achievement of 100%.

In case of 100% target achievement, the LTIP target amount for each of the LTIP tranches corresponds to 40% of the target direct compensation of the respective Executive Board member.

The precise target achievement is determined on the basis of the approved consolidated financial statements for the respective performance year. In this respect, the Supervisory Board may, at its equitable discretion, take into account extraordinary positive and negative developments which are not related to the performance of the Executive Board. The degree of target achievement by which the annual LTIP target

amount determined for the respective Executive Board member is multiplied is derived from the amount of the actual increase in net income from continuing operations for the respective performance year. SEE TABLE 6

<b>LTIP 2018/2020: Calculation of target achievement</b>	<b>6</b>
<b>Increase in net income from continuing operations compared to the previous year</b>	<b>Degree of target achievement</b>
≥ + € 280 million	150%
+ € 210 million	100%
+ € 140 million	50%
< + € 140 million	0%

If the actual increase in net income from continuing operations compared to the previous year is between the predefined threshold values, the degree of target achievement is determined based on a sliding scale. If the annual increase in net income is below € 140 million, the degree of target achievement is zero. Consequently, the LTIP Bonus for the respective LTIP tranche is forfeited completely. Furthermore, the degree of target achievement is capped at 150%, even if the increase in net income exceeds € 280 million.

By multiplying the degree of target achievement thus calculated with the annual LTIP target amount determined for the respective Executive Board member based on 100% target achievement, the Grant Amount is determined, which is paid out to the Executive Board member for the respective annual LTIP tranche following the approval of the consolidated financial statements of adidas for the performance year. The Executive Board members have to invest the full Grant Amount which remains after deducting applicable taxes and social security contributions ('LTIP Payout Amount') into the acquisition of adidas AG shares ('Share Ownership'). The shares purchased are subject to a lock-up period. The lock-up

## LTIP 2018/2020: Annual LTIP tranches

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LTIP tranche	2018	2019	2020	2021	2022	2023	2024
2018	1	2	3	4	5		
2019		1	2	3	4	5	
2020			1	2	3	4	5

Performance year
Lock-up period

1 Performance year: Determination of LTIP target amount in case of 100% target achievement.

2 Determination of the degree of target achievement, Grant Amount payable following approval of the consolidated financial statements for the past performance year and investment of LTIP Payout Amount in adidas AG shares. Start of lock-up period.

3 Lock-up period.

4 Lock-up period.

5 End of lock-up period upon expiry of the month in which the Annual General Meeting of adidas AG takes place.

period ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting of adidas AG takes place. The Executive Board members may only dispose of the shares after expiry of the lock-up period. [SEE DIAGRAM 7](#)

Due to this mechanism, the compensation which the Executive Board members eventually receive from each of the LTIP tranches is directly dependent on the share price performance during the respective lock-up period of slightly more than three years and is thus dependent on the long-term performance of the company. The Executive Board members are entitled to any dividends distributed in connection with these shares during the lock-up period. If an Executive Board member takes or leaves office during a performance year, the Grant Amount for the respective annual LTIP tranche is generally calculated on a pro rata basis. The departed Executive Board member does not participate in the annual LTIP tranches for which the performance year begins after the respective Executive Board member's departure. In certain cases defined in the terms and conditions of the LTIP 2018/2020, any claims in connection with the

LTIP 2018/2020 are generally forfeited and adidas AG shares already purchased, for which the lock-up period has not yet expired, must be transferred to adidas without compensation payments.

Furthermore, to ensure sustainable management and development of the company, the terms and conditions of the LTIP 2018/2020 contain malus and clawback provisions; until expiry of the lock-up period (malus) and beyond (clawback), these provisions allow the Supervisory Board at its equitable discretion, under certain circumstances, to partially or completely reduce the compensation from the LTIP 2018/2020 already paid. Such circumstances are, for instance, material misstatements in the financial reports, serious compliance violations and violations of duty as well as breaches of the company-internal rules of conduct by the Executive Board member which, in any such case, would lead to an unjustified bonus payment in the context of the LTIP 2018/2020. Moreover, in the event of violations of duty by Executive Board members, the respective claims for damages under stock corporation law are applicable.

The compensation system for the Executive Board allows the Supervisory Board, at its equitable discretion and in exceptional cases, to grant a special bonus in case of extraordinary performance by an Executive Board member which is not related to performance criteria that were already decisive for granting the Performance Bonus or the LTIP Bonus. If such special bonus is granted, it is capped at a maximum of 100% of the annual fixed compensation of the financial year for which the special bonus is granted. If a special bonus is granted, the reasons for such granting will be disclosed in the Compensation Report on the financial year concerned.

## SHARE OWNERSHIP

40% of the target direct compensation of the Executive Board members is granted based on the long-term performance-related compensation component LTIP 2018/2020. To promote sustainable development of the company, the Executive Board members are obligated in the context of the LTIP 2018/2020 to invest the full Payout Amount into the acquisition of adidas AG shares. The shares purchased are subject to a lock-up period of slightly more than three years – as a result, the number of adidas AG shares directly held by the Executive Board members increases on an annual basis. [SEE TABLE 10](#)

## COMMITMENTS TO EXECUTIVE BOARD MEMBERS UPON TERMINATION OF TENURE

Unless otherwise agreed in the individual case, if the service contract ends upon the Executive Board member reaching the age of 65 or upon non-renewal of the service contract, the Executive Board member is entitled to receive annual fixed compensation on a pro rata basis up to the date on which they leave office as well as a potential prorated Performance Bonus and a potential prorated LTIP Bonus. Further, Executive Board members are subject to a post-contractual competition prohibition of two years. As consideration, for the duration of the competition prohibition, the Executive Board members generally receive a monthly compensation amount totaling 50% of the monthly fixed compensation last received, subject to offsetting (e.g. of income from other use of their work capacity). If the departed Executive Board member receives pension payments from the company, this compensation is offset against any pension benefits owed by the company during the period of the competition prohibition.

Under certain circumstances, the departing Executive Board member also receives a follow-up bonus. As regards the current members of the Executive Board, such a follow-up bonus is agreed with Roland Auschel in the amount of 75% of the Performance Bonus granted to him for the last full financial year. This follow-up bonus is payable in two tranches, twelve and 24 months following the end of the contract.

In case of premature termination of tenure in the absence of good cause, the Executive Board service contracts cap potential severance payments at a maximum of twice the total annual compensation, not exceeding payment claims for the remaining period of the service contract ('Severance Payment Cap'). If the service contract is terminated due to a change of control, a possible severance payment is limited to 150% of the Severance Payment Cap. The Executive Board member does not receive a severance payment if they terminate tenure prematurely at their own request or if there is good cause for the company to terminate the employment relationship. The service contracts concluded with Executive Board members newly appointed with effect from January 1, 2020, generally stipulate that compensation for periods of competition prohibition possibly paid on a monthly basis to departing Executive Board members is offset against any severance payments potentially paid by adidas.

If an Executive Board member dies during their term of office, their spouse or partner receives or, alternatively, any dependent children receive, in addition to pension benefits, the pro rata annual fixed salary for the month of death and the following three months, but no longer than until the agreed end date of the service contract.

## SIDELINE ACTIVITIES OF EXECUTIVE BOARD MEMBERS

Executive Board members may only take on sideline activities with or without remuneration, in particular supervisory board mandates in group-external companies, with the prior approval of the Supervisory Board. Group-internal mandates are deemed covered by the contractually agreed Executive Board compensation. The Supervisory Board decides whether or not compensation for group-external mandates is credited to the Executive Board compensation. In accordance with a Supervisory Board resolution, the compensation received by Kasper Rorsted for his Board of Directors mandate at Nestlé S.A. is not credited to his Executive Board compensation.

[SEE EXECUTIVE BOARD, P. 11](#)

## EXECUTIVE BOARD COMPENSATION 2019

### 2019 PERFORMANCE BONUS

For the 2019 financial year, the Supervisory Board determined

- currency-neutral sales growth,
- an increase in the operating margin and
- two criteria relating to the individual performance of the Executive Board members

as performance criteria.

The targets determined for the Performance Bonus are oriented toward the guidance communicated for the 2019 financial year, namely 'currency-neutral sales increase between 5% and 8%' and an 'increase in the operating margin to a level between 11.3% and 11.5%'. When determining the degree of target achievement for the criterion 'increase in the operating margin', the positive effect of the accounting change pursuant to IFRS 16 in the amount of € 24 million was excluded. [SEE TABLE 8](#)

## 2019 Performance Bonus: Target achievement

8

Performance criterion	Weighting	100% target value	Actual value 2019	Degree of target achievement
Currency-neutral sales growth	30%	increase by 7.5%	6.1%	69%
Operating margin increase	30%	increase to 11.5%	11.2% <sup>1</sup>	50%
Individual criterion 1	20%		individual	
Individual criterion 2	20%		individual	

<sup>1</sup> Without the positive effect of the accounting change pursuant to IFRS 16 in the amount of approximately € 24 million.

In the 2019 financial year, the individual criteria relating to the individual Executive Board function focused on, for instance, execution of the corporate strategy, succession planning and performance management within the company, business success in the individual markets, product innovations, digitalization and operating efficiency. Based on the targets actually achieved, this results in an overall degree of target achievement between 75% and 107% (2018: 67%-118%) for the individual Executive Board members for the year under review. As in prior years, when determining the respective individual overall degrees of target achievement, the Supervisory Board did not take into account any extraordinary positive or negative developments which are not related to the performance of the Executive Board.

**LTIP 2018/2020: PERFORMANCE YEAR 2019**

In the 2018 financial year, the Supervisory Board determined as performance criterion for each of the three performance years (2018, 2019 and 2020) the absolute increase in net income from continuing operations compared to the respective previous year. [SEE TABLE 9](#)

## LTIP 2018/2020: Target achievement in the performance year 2019

9

Performance criterion	0% target value	100% target value	150% target value	Actual value 2019	Degree of target achievement
Increase in net income from continuing operations compared to the previous year	< + € 140 million	+ € 210 million	≥ + € 280 million	+ € 263 million <sup>1</sup>	138%

<sup>1</sup> Without the negative effect of the accounting change pursuant to IFRS 16 in the amount of approximately € 54 million.

Based on the actual target achievement, this results in a degree of target achievement of 138% (2018: 149%) for each Executive Board member for the performance year 2019. When determining the degree of target achievement, the negative effect of the accounting change pursuant to IFRS 16 in the amount of € 54 million was excluded. Apart from this, as in prior years, the Supervisory Board did not take into account any extraordinary positive or negative developments which are not related to the performance of the Executive Board. The Executive Board members have to invest the full Grant Amount which remains after deducting applicable taxes and social security contributions ('LTIP Payout Amount') into the acquisition of adidas AG shares ('Share Ownership'). The shares purchased will be subject to a lock-up period ending upon expiry of the month in which the Annual General Meeting of adidas AG takes place in the 2023 financial year. [SEE SECTION](#)

'LONG-TERM INCENTIVE PLAN 2018/2020 (LTIP 2018/2020)', P. 33

As at December 31, 2019, the total number of adidas AG shares which are held by Executive Board members active in the 2019 financial year and which are subject to a lock-up period amounts to 21,451 shares with a total value of € 6.217 million. The lock-up period for the adidas AG shares purchased in the 2018 LTIP tranche expires on May 31, 2022 and for the adidas AG shares purchased in the 2019 LTIP tranche on May 31, 2023. The number and performance of the adidas AG shares purchased so far by the Executive Board members in the context of the LTIP 2018/2020 are set out individually in the following. [SEE TABLE 10](#)

The Executive Board was not granted a special bonus, as in prior years.

## LTIP 2018/2020: Acquisition of shares in the 2018 LTIP tranche in €

10

	Grant Amount	LTIP Payout Amount	Purchase price as at April 1, 2019	Number of shares as at December 31, 2019	Share price as at December 31, 2019	Total value of adidas AG shares
Kasper Rorsted	3,405,714	1,788,851	219.20	8,160	289.80	2,364,768
Roland Auschel	1,566,629	822,873	219.20	3,753	289.80	1,087,619
Eric Liedtke	1,702,857	894,425	219.20	4,080	289.80	1,182,384
Harm Ohlmeyer	1,170,246	614,670	219.20	2,804	289.80	812,599
Karen Parkin	1,170,246	581,974	219.20	2,654	289.80	769,129
Martin Shankland <sup>1</sup>	-	-	-	-	-	-
<b>Total</b>	<b>9,015,692</b>	<b>4,702,793</b>		<b>21,451</b>		<b>6,216,500</b>

<sup>1</sup> Executive Board member with effect from March 4, 2019. First-time participation in the LTIP 2018/2020 in the 2019 financial year (2019 LTIP tranche).

**PENSION COMMITMENTS**

The service costs for the pension commitments granted to the Executive Board members and the cash values of the vested rights in the 2019 financial year are set out individually in the following. [SEE TABLE 11](#)

**OVERALL COMPENSATION FOR 2019 IN ACCORDANCE WITH THE CODE**

Based on the Supervisory Board's aforementioned determination, the overall compensation of the Executive Board for the 2019 financial year amounts to € 22.361 million.

This represents a decrease of approximately 6% (2018: € 23.912 million). Of this overall compensation, € 3.574 million (2018: € 4.431 million) was attributable to the one-year and € 9.245 million (2018: € 10.186 million) to the multi-year performance-related compensation.

The recommendations of the Code to individually disclose the compensation components for each Executive Board member and to use the sample tables attached to the Code are implemented in the following.

**BENEFITS GRANTED IN ACCORDANCE WITH THE CODE**

In the following table, the individual compensation components in case of 100% target achievement of the performance-related compensation are disclosed for each Executive Board member individually, including other benefits and service costs, and also including the maximum and minimum achievable compensation. [SEE TABLE 12](#)

Pension commitments in the 2019 financial year in €

11

	Service costs		Accumulated pension obligation for the pension	
	2019	2018	2019	2018
<b>Executive Board members incumbent as at December 31, 2019</b>				
Kasper Rorsted	856,807	1,052,993	3,872,421	2,114,236
Roland Auschel	321,247	402,742	2,874,476	1,622,119
Eric Liedtke	345,945	447,154	2,836,852	1,587,967
Harm Ohlmeyer	395,186	386,523	1,444,973	741,407
Karen Parkin	374,370	375,785	1,247,607	644,177
Martin Shankland (since March 4, 2019)	355,518	–	355,518	–
<b>Total</b>	<b>2,649,073</b>	<b>2,665,197</b>	<b>12,631,847</b>	<b>6,709,906</b>
<b>Executive Board members departed in the 2019 financial year</b>				
Gil Steyaert (until February 26, 2019) <sup>1</sup>	672,276	528,998	1,498,021	825,745
<b>Total</b>	<b>672,276</b>	<b>528,998</b>	<b>1,498,021</b>	<b>825,745</b>

<sup>1</sup> Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs correspond to the gross contribution credited by adidas AG for the respective financial year to the special account opened for him. For Gil Steyaert, the service costs 2019 comprise the gross contribution contractually agreed due to his departure which was granted to Gil Steyaert as pension benefits payable until May 31, 2020 for early termination of the Executive Board mandate. The accumulated pension obligation for Gil Steyaert's pension commitment corresponds to the gross contribution credited by adidas AG during the time of his Executive Board mandate to the special account opened for him.

## Benefits granted in €

12

	Kasper Rorsted Chief Executive Officer				Roland Auschel Global Sales			
	2018	2019	2019 (min.)	2019 (max.)	2018	2019	2019 (min.)	2019 (max.)
Fixed compensation	2,000,000	2,000,000	2,000,000	2,000,000	920,000	920,000	920,000	920,000
Other benefits	19,314	26,417	26,417	26,417	17,943	19,165	19,165	19,165
<b>Total</b>	<b>2,019,314</b>	<b>2,026,417</b>	<b>2,026,417</b>	<b>2,026,417</b>	<b>937,943</b>	<b>939,165</b>	<b>939,165</b>	<b>939,165</b>
One-year variable compensation	1,428,571	1,428,571	0	2,142,857	657,143	657,143	0	985,715
Multi-year variable compensation	2,285,714	2,285,714	0	3,428,571	1,051,429	1,051,429	0	1,577,144
LTIP 2018/2020 (2019 tranche)	–	2,285,714	0	3,428,571	–	1,051,429	0	1,577,144
LTIP 2018/2020 (2018 tranche)	2,285,714	–	–	–	1,051,429	–	–	–
<b>Total</b>	<b>5,733,599</b>	<b>5,740,702</b>	<b>2,026,417</b>	<b>7,597,844</b>	<b>2,646,515</b>	<b>2,647,737</b>	<b>939,165</b>	<b>3,502,023</b>
Service costs	1,052,993	856,807	856,807	856,807	402,742	321,247	321,247	321,247
<b>Overall compensation</b>	<b>6,786,592</b>	<b>6,597,509</b>	<b>2,883,224</b>	<b>8,454,651</b>	<b>3,049,257</b>	<b>2,968,984</b>	<b>1,260,412</b>	<b>3,823,270</b>

	Eric Liedtke <sup>1</sup> Global Brands until December 31, 2019				Harm Ohlmeyer Chief Financial Officer			
	2018	2019	2019 (min.)	2019 (max.)	2018	2019	2019 (min.)	2019 (max.)
Fixed compensation	1,000,000	1,000,000	1,000,000	1,000,000	687,225	687,225	687,225	687,225
Other benefits	24,475	26,935	26,935	26,935	17,826	19,684	19,684	19,684
<b>Total</b>	<b>1,024,475</b>	<b>1,026,935</b>	<b>1,026,935</b>	<b>1,026,935</b>	<b>705,051</b>	<b>706,909</b>	<b>706,909</b>	<b>706,909</b>
One-year variable compensation	714,286	714,286	0	1,071,429	490,875	490,875	0	736,313
Multi-year variable compensation	1,142,857	1,142,857	0	1,714,286	785,400	785,400	0	1,178,100
LTIP 2018/2020 (2019 tranche)	–	1,142,857	0	1,714,286	–	785,400	0	1,178,100
LTIP 2018/2020 (2018 tranche)	1,142,857	–	–	–	785,400	–	–	–
<b>Total</b>	<b>2,881,618</b>	<b>2,884,078</b>	<b>1,026,935</b>	<b>3,812,649</b>	<b>1,981,326</b>	<b>1,983,184</b>	<b>706,909</b>	<b>2,621,322</b>
Service costs	447,154	345,945	345,945	345,945	386,523	395,186	395,186	395,186
<b>Overall compensation</b>	<b>3,328,772</b>	<b>3,230,023</b>	<b>1,372,880</b>	<b>4,158,594</b>	<b>2,367,849</b>	<b>2,378,370</b>	<b>1,102,095</b>	<b>3,016,508</b>

## Benefits granted in €

12

	Karen Parkin Global Human Resources				Martin Shankland <sup>2</sup> Global Operations since March 4, 2019			
	2018	2019	2019 (min.)	2019 (max.)	2018	2019	2019 (min.)	2019 (max.)
Fixed compensation	687,225	687,225	687,225	687,225	–	567,145	567,145	567,145
Other benefits	18,692	18,692	18,692	18,692	–	118,164	118,164	118,164
<b>Total</b>	<b>705,917</b>	<b>705,917</b>	<b>705,917</b>	<b>705,917</b>	<b>–</b>	<b>685,309</b>	<b>685,309</b>	<b>685,309</b>
One-year variable compensation	490,875	490,875	0	736,313	–	405,104	0	607,656
Multi-year variable compensation	785,400	785,400	0	1,178,100	–	648,166	0	972,249
LTIP 2018/2020 (2019 tranche)	–	785,400	0	1,178,100	–	648,166	0	972,249
LTIP 2018/2020 (2018 tranche)	785,400	–	–	–	–	–	–	–
<b>Total</b>	<b>1,982,192</b>	<b>1,982,192</b>	<b>705,917</b>	<b>2,620,330</b>	<b>–</b>	<b>1,738,579</b>	<b>685,309</b>	<b>2,265,214</b>
Service costs	375,785	374,370	374,370	374,370	–	355,518	355,518	355,518
<b>Overall compensation</b>	<b>2,357,977</b>	<b>2,356,562</b>	<b>1,080,287</b>	<b>2,994,700</b>	<b>–</b>	<b>2,094,097</b>	<b>1,040,827</b>	<b>2,620,732</b>

	Gil Steyaert <sup>3</sup> Global Operations until February 26, 2019			
	2018	2019	2019 (min.)	2019 (max.)
Fixed compensation	687,225	114,538	114,538	114,538
Other benefits	20,904	15,146	15,146	15,146
<b>Total</b>	<b>708,129</b>	<b>129,683</b>	<b>129,683</b>	<b>129,683</b>
One-year variable compensation	490,875	–	–	–
Multi-year variable compensation	785,400	–	–	–
LTIP 2018/2020 (2019 tranche)	–	–	–	–
LTIP 2018/2020 (2018 tranche)	785,400	–	–	–
<b>Total</b>	<b>1,984,404</b>	<b>129,683</b>	<b>129,683</b>	<b>129,683</b>
Service costs	528,998	672,276	672,276	672,276
<b>Overall compensation</b>	<b>2,513,402</b>	<b>801,959</b>	<b>801,959</b>	<b>801,959</b>

<sup>1</sup> Due to his departure, Eric Liedtke receives a contractually agreed severance payment in the amount of € 5,428,572 in addition to the overall compensation set out. This payment is set out in the Compensation Report in the overall payments to former Executive Board members.

<sup>2</sup> Contractually agreed Performance Bonus target amount 2019 and LTIP bonus target amount 2018/2020 (2019 tranche) due to intra-year appointment of Martin Shankland (with effect from March 4, 2019) to the Executive Board. Service costs 2019 stated pro rata temporis.

<sup>3</sup> Executive Board compensation stated pro rata temporis due to the intra-year termination of Gil Steyaert's Executive Board mandate. Gil Steyaert's service contract terminated with effect from February 28, 2019. Until that date, Gil Steyaert was paid his full monthly fixed salary. Due to his departure, Gil Steyaert additionally received a contractually agreed severance payment in the amount of € 3,422,316. This compensation also comprises the service costs stated herein and is set out in the Compensation Report in the overall payments to former Executive Board members. For Gil Steyaert, the service costs 2019 comprise the gross contribution contractually agreed due to his departure which was granted to Gil Steyaert as pension benefits payable until May 31, 2020 for early termination of the Executive Board mandate. Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs correspond to the gross contribution credited by adidas AG for the respective financial year to the special account opened for him.

**ALLOCATION IN ACCORDANCE WITH THE CODE**

Pursuant to the recommendations of the Code, the annual fixed compensation, other benefits, the Performance Bonus, the LTIP Bonus as well as the service costs are disclosed as

an allocation for the financial year in which the compensation was granted, with the service costs not constituting an actual allocation to the Executive Board members. ■ [SEE TABLE 13](#)

Allocation in €

13

	Kasper Rorsted Chief Executive Officer		Roland Auschel Global Sales		Eric Liedtke <sup>3</sup> Global Brands until December 31, 2019	
	2019	2018	2019	2018	2019	2018
Fixed compensation	2,000,000	2,000,000	920,000	920,000	1,000,000	1,000,000
Other benefits	26,417	19,314	19,165	17,943	26,935	24,475
<b>Total</b>	<b>2,026,417</b>	<b>2,019,314</b>	<b>939,165</b>	<b>937,943</b>	<b>1,026,935</b>	<b>1,024,475</b>
One-year variable compensation	1,200,000	1,685,714	492,857	624,286	642,857	707,143
Multi-year variable compensation <sup>1</sup>	3,154,285	3,405,714	1,450,972	1,566,629	1,577,143	1,702,857
LTIP 2018/2020 (2019 tranche)	3,154,285	–	1,450,972	–	1,577,143	–
LTIP 2018/2020 (2018 tranche)	–	3,405,714	–	1,566,629	–	1,702,857
Other	–	–	–	–	–	–
<b>Total<sup>2</sup></b>	<b>6,380,702</b>	<b>7,110,741</b>	<b>2,882,994</b>	<b>3,128,858</b>	<b>3,246,935</b>	<b>3,434,476</b>
Service costs	856,807	1,052,993	321,247	402,742	345,945	447,154
<b>Overall compensation</b>	<b>7,237,509</b>	<b>8,163,734</b>	<b>3,204,241</b>	<b>3,531,600</b>	<b>3,592,880</b>	<b>3,881,630</b>

	Harm Ohlmeyer Chief Financial Officer		Karen Parkin Global Human Resources		Martin Shankland <sup>4</sup> Global Operations since March 4, 2019	
	2019	2018	2019	2018	2019	2018
Fixed compensation	687,225	687,225	687,225	687,225	567,145	–
Other benefits	19,684	17,826	18,692	18,692	118,164	–
<b>Total</b>	<b>706,909</b>	<b>705,051</b>	<b>705,917</b>	<b>705,917</b>	<b>685,309</b>	–
One-year variable compensation	373,065	559,598	525,236	525,236	340,287	–
Multi-year variable compensation <sup>1</sup>	1,083,852	1,170,246	1,083,852	1,170,246	894,469	–
LTIP 2018/2020 (2019 tranche)	1,083,852	–	1,083,852	–	894,469	–
LTIP 2018/2020 (2018 tranche)	–	1,170,246	–	1,170,246	–	–
Other	–	–	–	–	–	–
<b>Total<sup>2</sup></b>	<b>2,163,826</b>	<b>2,434,895</b>	<b>2,315,005</b>	<b>2,401,399</b>	<b>1,920,065</b>	–
Service costs	395,186	386,523	374,370	375,785	355,518	–
<b>Overall compensation</b>	<b>2,559,012</b>	<b>2,821,418</b>	<b>2,689,375</b>	<b>2,777,184</b>	<b>2,275,583</b>	–

Allocation in €

13

	Gil Steyaert <sup>5</sup> Global Operations until February 26, 2019	
	2019	2018
Fixed compensation	114,538	687,225
Other benefits	15,146	20,904
<b>Total</b>	<b>129,683</b>	<b>708,129</b>
One-year variable compensation	–	328,886
Multi-year variable compensation <sup>1</sup>	–	1,170,246
LTIP 2018/2020 (2019 tranche)	–	–
LTIP 2018/2020 (2018 tranche)	–	1,170,246
Other	–	–
<b>Total<sup>2</sup></b>	<b>129,683</b>	<b>2,207,261</b>
Service costs	672,276	528,998
<b>Overall compensation</b>	<b>801,959</b>	<b>2,736,259</b>

<sup>1</sup> The Grant Amount which remains for the respective annual LTIP tranche after deduction of applicable taxes and social security contributions ('LTIP Payout Amount') must be invested in the acquisition of adidas AG shares. These shares are subject to a lock-up period which ends in the third financial year after the acquisition of the shares upon expiry of the month in which the Annual General Meeting of adidas AG takes place. The LTIP Payout Amount is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already fully earned at the time of payout following the adoption of the consolidated financial statements by the Supervisory Board.

<sup>2</sup> The compensation components outlined above constitute the overall payments to be set out individually in accordance with commercial law both in the 2019 financial year and in the previous year.

<sup>3</sup> Due to his departure, Eric Liedtke receives a contractually agreed severance payment in the amount of € 5,428,572 in addition to the overall compensation set out. This payment is set out in the Compensation Report in the overall payments to former Executive Board members.

<sup>4</sup> Contractually agreed Performance Bonus target amount 2019 and LTIP bonus target amount 2018/2020 (2019 tranche) due to intra-year appointment of Martin Shankland (with effect from March 4, 2019) to the Executive Board. Service costs 2019 stated pro rata temporis.

<sup>5</sup> Executive Board compensation stated pro rata temporis due to the intra-year termination of Gil Steyaert's Executive Board mandate. Gil Steyaert's service contract terminated with effect from February 28, 2019. Until that date, Gil Steyaert was paid his full monthly fixed salary. Due to his departure, Gil Steyaert additionally received a contractually agreed severance payment in the amount of € 3,422,316. This compensation also comprises the service costs stated herein and is set out in the Compensation Report in the overall payments to former Executive Board members. For Gil Steyaert, the service costs 2019 comprise the gross contribution contractually agreed due to his departure which was granted to Gil Steyaert as pension benefits payable until May 31, 2020 for early termination of the Executive Board mandate. Due to the adjustment of Gil Steyaert's pension commitment in the 2018 financial year, the service costs correspond to the gross contribution credited by adidas AG for the respective financial year to the special account opened for him.

## COMMITMENTS TO EXECUTIVE BOARD MEMBERS UPON TERMINATION OF TENURE

### Termination of Gil Steyaert's tenure effective February 26, 2019

In connection with the termination of his Executive Board mandate, Gil Steyaert received a severance payment of € 3,422,316.<sup>4</sup> Furthermore, it was contractually agreed to dispense with the obligation to invest the LTIP Bonus granted to Gil Steyaert for the 2018 financial year into adidas AG shares.

As regards the post-contractual competition prohibition, Gil Steyaert has received monthly compensation in the amount of € 28,634 since March 1, 2019, payable for a total period of 24 months. This corresponds to 50% of the last fixed monthly salary. If the compensation paid for the post-contractual competition prohibition and any potential income from other employment in total exceed the monthly fixed salary last received by Gil Steyaert before his departure, any income from other employment will be offset against the compensation paid for the post-contractual competition prohibition. The overall maximum compensation for the post-contractual competition prohibition payable to Gil Steyaert therefore amounts to € 687,225.

### Termination of Eric Liedtke's tenure effective December 31, 2019

In connection with the termination of his Executive Board mandate at the end of December 31, 2019, Eric Liedtke was granted a severance payment of € 5,428,572.

As regards the post-contractual competition prohibition, Eric Liedtke will receive monthly compensation in the amount of € 41,667 for a period of 24 months from January 1, 2020. This corresponds to 50% of the last fixed monthly salary. If the compensation paid for the post-contractual competition prohibition and any potential income from other employment in total exceed the monthly fixed salary last received by

Eric Liedtke before his departure, any income from other employment will be offset against the compensation paid for the post-contractual competition prohibition. The overall maximum compensation for the post-contractual competition prohibition payable to Eric Liedtke therefore amounts to € 1,000,000.

## OVERALL PAYMENTS TO FORMER MEMBERS OF THE EXECUTIVE BOARD AND THEIR SURVIVING DEPENDENTS

In the 2019 financial year, overall payments to former members of the Executive Board and their surviving dependents amounted to € 14.567 million (2018: € 3.746 million). The increase in the overall payments compared to the previous year is attributable to the severance payments granted to Eric Liedtke and Gil Steyaert due to their departure from the Executive Board in the year under review.

Provisions were created for pension entitlements for former members of the Executive Board who resigned on or before December 31, 2005 and their surviving dependents, amounting to € 46.326 million (2018: € 43.904 million) in total as at December 31, 2019. There are pension commitments toward six former Executive Board members who resigned after December 31, 2005, which are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. From this, indirect obligations amounting to € 46.216 million (2018: € 40.969 million) arise for adidas AG, for which no provisions were created due to financing through the pension fund and pension trust fund.

## MISCELLANEOUS

The Executive Board members do not receive any additional compensation for mandates within adidas. The Executive Board members have not received any loans or advance payments from adidas AG. Furthermore, no Executive Board member received any payments or promises of payments from third parties with regard to their work at adidas.

<sup>4</sup> Until the termination of his service contract on February 28, 2019, Gil Steyaert was paid his full monthly fixed compensation.

## COMPENSATION OF THE SUPERVISORY BOARD MEMBERS

The compensation system which has been applicable for the members of the Supervisory Board since July 1, 2017 was adopted by the shareholders at the Annual General Meeting on May 11, 2017. The compensation system is set out in § 18 of the Articles of Association of adidas AG.

### COMPENSATION SYSTEM

The compensation of the Supervisory Board members takes into account the responsibility and scope of activities of the Supervisory Board members and consists of two components: fixed compensation and additional compensation for membership in committees. The Supervisory Board members are not granted performance-related compensation. Furthermore, the Supervisory Board members receive attendance fees and are reimbursed for expenses they incur.

### COMPENSATION FOR SUPERVISORY BOARD FUNCTION

Each member receives fixed compensation which is paid following the end of the respective financial year. The Chairman of the Supervisory Board and his two deputies receive higher fixed compensation. [SEE TABLE 14](#)

#### Compensation for Supervisory Board function 14

Supervisory Board member	Deputy Chairman	Chairman
€ 80,000	€ 160,000	€ 240,000
Base amount	200% of the base amount	300% of the base amount

### ADDITIONAL COMPENSATION FOR MEMBERSHIP IN A COMMITTEE

Furthermore, the Supervisory Board members receive additional compensation for membership in certain committees; in this regard, too, compensation is increased if the chairmanship of a committee is assumed. The amount of the respective additional compensation is based on the fixed compensation ('Base Amount') determined for the Supervisory Board members by the Annual General Meeting and depends on the tasks and responsibilities connected with the respective committee membership. [SEE TABLE 15](#)

#### Compensation for membership in a committee 15

General Committee		Audit Committee	
Member	Chairman	Member	Chairman
€ 40,000	€ 80,000	€ 80,000	€ 160,000
50% of the base amount	100% of the base amount	100% of the base amount	200% of the base amount

The compensation paid for a committee chairmanship also covers the membership in such committee. The members of the Steering Committee, the Mediation Committee, the Nomination Committee and committees which are established ad hoc do not receive additional compensation. If a Supervisory Board member is a member of more than one committee, the member only receives compensation for their task in the committee with the highest compensation.

### REDUCED COMPENSATION IN CASE OF MEMBERSHIP FOR PART OF FINANCIAL YEAR

If a member belongs to the Supervisory Board or a committee for only part of a financial year, the fixed compensation and additional compensation for membership in a committee are reduced accordingly on a pro rata temporis basis.

### ATTENDANCE FEE

For each personal attendance of meetings requiring personal attendance, the Supervisory Board members are also granted an attendance fee in the amount of € 1,000. Members of committees that are formed on an ad hoc basis do not receive an attendance fee. If several meetings take place on one day, the attendance fee is only paid once.

### EXPENSES

The Supervisory Board members are reimbursed for necessary expenses and travel expenses incurred in connection with their mandates as well as for the VAT payable on their compensation.

## SUPERVISORY BOARD COMPENSATION 2019

### FIXED COMPENSATION AND ATTENDANCE FEE

The total compensation paid to the Supervisory Board in the 2019 financial year amounted to € 2.20 million (2018: € 2.20 million). In addition, attendance fees totaling € 167,000 (2018: € 129,000) were paid. [SEE TABLE 16](#)

### MISCELLANEOUS

The Supervisory Board members have not received any loans or advance payments from adidas AG.

## Compensation of Supervisory Board members in €

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	2019				2018			
	Fixed compensation	Compensation committee work	Attendance fee	Total	Fixed compensation	Compensation committee work	Attendance fee	Total
<b>Supervisory Board members incumbent as at December 31, 2019</b>								
Igor Landau, Chairman of the Supervisory Board	240,000	80,000	14,000	334,000	240,000	80,000	9,000	329,000
Udo Müller, Deputy Chairman of the Supervisory Board <sup>1</sup>	131,726	25,863	11,000	168,589	80,000	–	7,000	87,000
Thomas Rabe, Deputy Chairman of the Supervisory Board <sup>2</sup>	103,452	25,863	8,000	137,315	–	–	–	–
Petra Auerbacher <sup>2</sup>	51,726	–	6,000	57,726	–	–	–	–
Ian Gallienne	80,000	80,000	11,000	171,000	80,000	80,000	9,000	169,000
Roswitha Hermann <sup>2</sup>	51,726	–	3,000	54,726	–	–	–	–
Herbert Kauffmann	80,000	160,000	14,000	254,000	80,000	160,000	12,000	252,000
Kathrin Menges	80,000	–	8,000	88,000	80,000	–	6,000	86,000
Roland Nosko	80,000	40,000	14,000	134,000	80,000	40,000	9,000	129,000
Beate Rohrig <sup>2</sup>	51,726	–	5,000	56,726	–	–	–	–
Nassef Sawiris	80,000	–	9,000	89,000	80,000	–	7,000	87,000
Frank Scheiderer <sup>2</sup>	51,726	51,726	9,000	112,452	–	–	–	–
Michael Stort <sup>2</sup>	51,726	–	6,000	57,726	–	–	–	–
Bodo Uebber <sup>2</sup>	51,726	–	3,000	54,726	–	–	–	–
Jing Ulrich <sup>2</sup>	51,726	–	5,000	56,726	–	–	–	–
Günter Weigl <sup>2</sup>	51,726	51,726	9,000	112,452	–	–	–	–
<b>Supervisory Board members until the end of the Annual General Meeting on May 9, 2019</b>								
Sabine Bauer, Deputy Chairwoman of the Supervisory Board	56,548	14,137	5,000	75,685	160,000	40,000	9,000	209,000
Willi Schwerdtle, Deputy Chairman of the Supervisory Board	56,548	14,137	5,000	75,685	160,000	40,000	9,000	209,000
Dr. Frank Appel <sup>3</sup>	28,274	–	1,000	29,274	51,398	–	4,000	55,398
Dieter Hauenstein	28,274	–	3,000	31,274	80,000	–	6,000	86,000
Dr. Wolfgang Jäger	28,274	28,274	5,000	61,548	80,000	80,000	12,000	172,000
Katja Kraus	28,274	–	2,000	30,274	80,000	–	6,000	86,000
Hans Ruprecht	28,274	28,274	5,000	61,548	80,000	80,000	10,000	170,000
Heidi Thaler-Veh	28,274	–	3,000	31,274	80,000	–	5,000	85,000
Kurt Wittmann	28,274	–	3,000	31,274	80,000	–	6,000	86,000
<b>Supervisory Board member until the end of the Annual General Meeting on May 9, 2018</b>								
Dr. Stefan Jentzsch	–	–	–	–	28,602	–	3,000	31,602
<b>Total</b>	<b>1,600,000</b>	<b>600,000</b>	<b>167,000</b>	<b>2,367,000</b>	<b>1,600,000</b>	<b>600,000</b>	<b>129,000</b>	<b>2,329,000</b>

<sup>1</sup> Deputy Chairman from the end of the Annual General Meeting on May 9, 2019.

<sup>2</sup> Supervisory Board member from the end of the Annual General Meeting on May 9, 2019.

<sup>3</sup> Supervisory Board member from the end of the Annual General Meeting on May 9, 2018 until the end of the Annual General Meeting on May 9, 2019.

## OUR SHARE

Global stock markets were volatile throughout the year but ended 2019 on a positive note. The DAX-30 and the EURO STOXX 50 both increased by 25% while the MSCI World Textiles, Apparel & Luxury Goods Index was up 37%. The adidas AG share outperformed the broader stock market and ended 2019 with an increase of 59% compared to the prior year. As a result of the strong operational and financial performance in 2019 as well as Management's confidence in the strength of the company's financial position and long-term growth aspirations, we intend to propose a dividend per share of € 3.85 at our 2020 Annual General Meeting.

### ADIDAS AG SHARE RISES AND OUTPERFORMS BROADER STOCK MARKET IN 2019

In 2019, global stock markets ended a volatile year on a positive note, as greater optimism regarding the US-China trade situation and low unemployment gave capital markets strong impetus. In addition, interest rate cuts by the Federal Reserve benefited markets further. As a result, the DAX-30 as well as

the EURO STOXX 50 increased 25% in 2019. The MSCI World Textiles, Apparel & Luxury Goods Index closed the year with a 37% increase. [SEE TABLE 17](#) Our financial results helped to further build investors' confidence in the successful execution of our strategic business plan 'Creating the New' and the company's ability to sustainably grow revenues and improve margins in the years to come. Consequently, the adidas AG share closed the year at € 289.80 and thus 59% above the prior year-end level, making it the second best performer in the DAX-30. [SEE DIAGRAM 18](#)

Performance of the adidas AG share and important indices at year-end 2019 in % 17

	1 year	3 years	5 years	10 years
adidas AG	59	93	403	667
DAX-30	25	15	35	122
EURO STOXX 50	25	14	19	26
MSCI World Textiles, Apparel & Luxury Goods	37	72	64	242

Source: Bloomberg.

### LEVEL 1 ADR PERFORMS IN LINE WITH COMMON STOCK

Our Level 1 ADR closed 2019 at US \$ 162.80, representing an increase of 56% versus the prior year level (2018: US \$ 104.34). The slightly less pronounced increase of the Level 1 ADR price compared to the ordinary share price was due to the appreciation of the US dollar versus the euro in 2019. The number of Level 1 ADRs outstanding increased to 10.4 million at year-end 2019 compared to 9.0 million at the end of 2018. The average daily trading volume decreased to around 43,000 ADRs in 2019 (2018: around 51,400). Further information on our ADR program can be found on our website. [ADIDAS-GROUP.COM/ADR](https://www.adidas-group.com/adr)

### ADIDAS AG SHARE MEMBER OF IMPORTANT INDICES

The adidas AG share is included in a variety of high-quality indices around the world, most importantly the DAX-30, the EURO STOXX 50 Index as well as the MSCI World Textiles, Apparel & Luxury Goods Index, which comprises our major competitors. At December 31, 2019, our weighting in the DAX-30, which is calculated on the basis of free float market capitalization and twelve-month share turnover, improved to 4.99% (2018: 3.94%). Our higher weighting compared to the prior year was due to the increase in market capitalization of adidas AG. Within the DAX-30, we ranked 7 on market capitalization (2018: 9) and 9 on turnover (2018: 11) at year-end 2019. For the 20th consecutive time, adidas was selected to join the Dow Jones Sustainability Indices (DJSI), and was assessed to be among the global 10% best-performing companies in its industry in economic, environmental and social criteria. [SEE TABLE 19](#)

Five-year share price development<sup>1</sup>

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## DIVIDEND PROPOSAL OF € 3.85 PER SHARE

As a result of the strong operational and financial performance in 2019, the company's robust financial position as well as Management's confidence in our long-term growth aspirations, the adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 3.85 per dividend-entitled share to shareholders at the Annual General Meeting (AGM) on May 14, 2020. This represents an increase of 15% compared to the prior year dividend (2018: € 3.35). Subject to the meeting's approval, the dividend will be paid on May 19, 2020. The total payout of € 752 million (2018: € 664 million) reflects a payout ratio of 39.2% of net income from continuing operations (2018: 38.9%), based on the number of shares outstanding as at the date of preparation of the consolidated financial statements.

SEE TABLE 19 This is within the target range of between 30% and 50% of net income from continuing operations as defined in our dividend policy.

## SECOND TRANCHE OF SHARE BUYBACK PROGRAM COMPLETED

On March 13, 2018, adidas AG announced the launch of a multi-year share buyback program of up to € 3.0 billion in total until May 11, 2021. The program is executed by buying back shares via the stock exchange under the authorization granted by the Annual General Meeting on May 12, 2016. The authorization covers the repurchase of up to 10% of the company's share capital on the stock exchange. The vast majority of the share buyback program will be financed through the company's net cash position as well as the expected strong operating cash flow generation in the years ahead. Following the first tranche in 2018, in which the company bought back 5.1 million shares for a total consideration of € 1.0 billion, on January 7, 2019 adidas AG announced the commencement of the second tranche of the share buyback program. Between January 7, 2019, and December 18, 2019, the company bought back

3.2 million shares, corresponding to 1.6% of the company's stock capital, for a consideration of € 815 million. The average purchase price per share was € 252.80. A total of 8.8 million treasury shares have been canceled since the start of the current program, reducing the company's share count and stock capital correspondingly.

## STRONG INTERNATIONAL INVESTOR BASE

Based on our share register, we estimate that adidas AG currently has more than 90,000 shareholders (2018: 80,000). In our latest ownership analysis conducted in January 2020, we identified almost 100% of our shares outstanding. Institutional

investors represent the largest investor group, holding 89% of shares outstanding (2018: 92%). Private investors and undisclosed holdings account for 9% (2018: 8%). Lastly, adidas AG currently holds 2% of the company's shares as treasury shares (2018: 1%); this increase versus the prior year mainly reflects the shares resulting from our share buyback activities which have not been canceled yet. SEE DIAGRAM 21

In terms of geographical distribution, the North American market currently accounts for 43% of institutional shareholdings (2018: 43%), followed by the UK with 21% (2018: 21%). Identified German institutional investors hold 10% of

### The adidas AG share

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		2019	2018 <sup>1</sup>	Important indices
Number of shares outstanding at year-end <sup>2</sup>	shares	195,969,387	199,171,345	— DAX-30
Basic earnings per share <sup>3</sup>	€	9.70	8.46	— EURO STOXX 50
Diluted earnings per share <sup>3</sup>	€	9.70	8.45	— MSCI World Textiles, Apparel & Luxury Goods
Year-end price	€	289.80	182.40	— Deutsche Börse Prime Consumer
Year high	€	296.35	216.00	— Dow Jones Sustainability Indices (World and Europe)
Year low	€	183.95	166.40	— FTSE4Good Index Series
Market capitalization <sup>4</sup>	€ in millions	56,792	36,329	— MSCI World ESG Leaders Index
Dividend per share	€	3.85 <sup>5</sup>	3.35	
Dividend payout	€ in millions	752 <sup>6</sup>	664	
Dividend payout ratio <sup>3</sup>	%	39.2 <sup>6</sup>	38.9	
Dividend yield	%	1.3	1.8	
Shareholders' equity per share <sup>4</sup>	€	34.68	32.02	
Price-earnings ratio at year-end <sup>7</sup>	x	29.9	21.6	
Average trading volume per trading day <sup>8</sup>	shares	638,854	824,045	

<sup>1</sup> First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

<sup>2</sup> All shares carry full dividend rights, excluding treasury shares.

<sup>3</sup> Based on net income from continuing operations.

<sup>4</sup> Based on number of shares outstanding at year-end, excluding treasury shares.

<sup>5</sup> Subject to Annual General Meeting approval.

<sup>6</sup> Based on the number of shares outstanding at the date of preparation of the Consolidated Financial Statements.

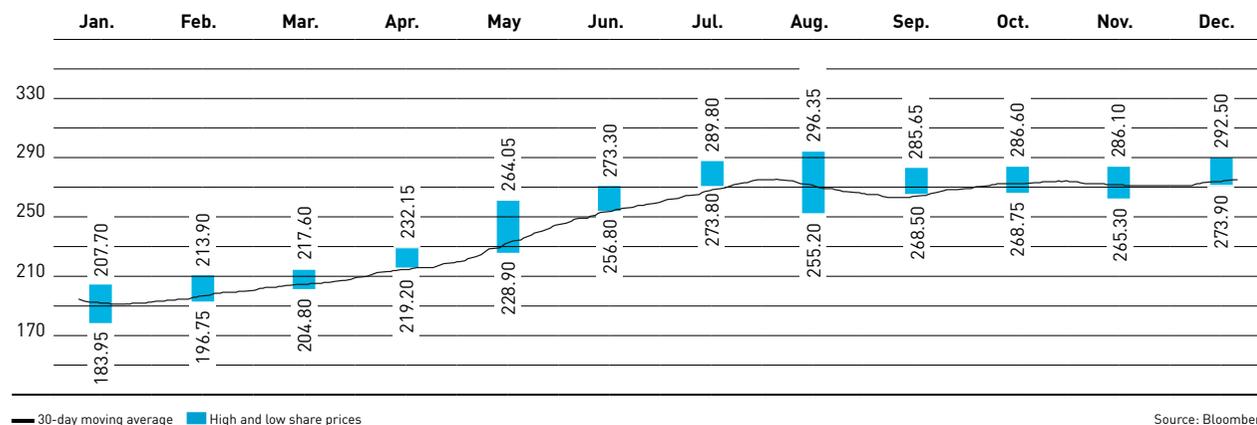
<sup>7</sup> Based on basic EPS from continuing operations.

<sup>8</sup> Based on number of shares traded on all German stock exchanges.

OUR SHARE

adidas AG high and low share prices per month<sup>1</sup> in €

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<sup>1</sup> Based on daily Xetra closing prices.

Source: Bloomberg.

shares outstanding (2018: 10%). Institutional investors from Belgium account for 8% (2018: 9%) and 18% of institutional shareholders were identified in other regions of the world (2018: 17%). [SEE DIAGRAM 22](#)

**MAJORITY OF ANALYSTS WITH A NEUTRAL RATING OF ADIDAS AG SHARE**

Around 40 analysts from investment banks and brokerage firms regularly publish research reports on adidas. Given the strong performance of the adidas AG share in 2019, the majority of analysts now have a neutral view on our share. This is reflected in the recommendation split for our share as at December 31, 2019. 33% of analysts recommended investors to 'buy' our share (2018: 59%). 57% advised to 'hold' our share (2018: 36%) and 10% of the analysts recommended to 'sell' our share (2018: 5%).

**VOTING RIGHTS NOTIFICATIONS PUBLISHED**

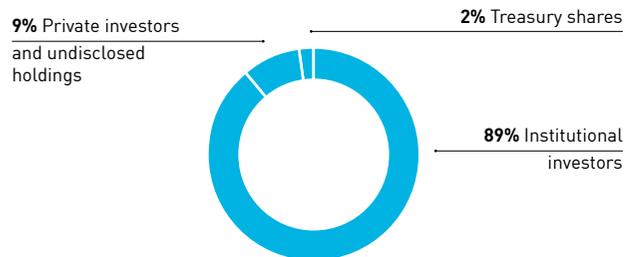
All voting rights notifications received in 2019 in accordance with §§ 33 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) (§§ 21 et seq. German Securities Trading Act old version) are published on our corporate website. [ADIDAS-GROUP.COM/S/VOTING\\_RIGHTS\\_NOTIFICATIONS](https://www.adidas-group.com/s/voting_rights_notifications) Information on reportable shareholdings that currently exceed or fall below a certain threshold can also be found in the Notes section of this Annual Report. [SEE NOTE 27, P. 171](#)

**MANAGERS' TRANSACTIONS REPORTED ON CORPORATE WEBSITE**

Managers' transactions involving adidas AG shares (ISIN DE000A1EWWW0) or related financial instruments, as defined by Article 19 of the European Market Abuse Regulation (MAR), conducted by members of our Executive or Supervisory Boards, or by any person in close relationship with these persons, are reported on our website. [ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS](https://www.adidas-group.com/s/managers-transactions)

Shareholder structure by investor group<sup>1</sup>

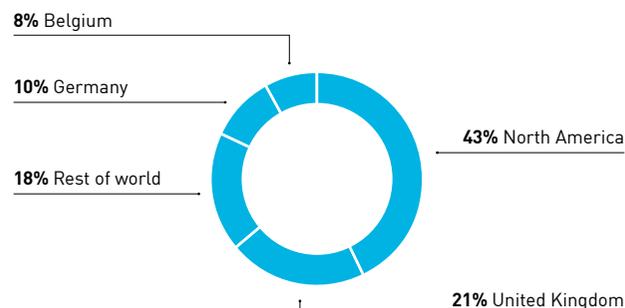
21



<sup>1</sup> As of January 2020.

Shareholder structure by region<sup>1,2</sup>

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<sup>1</sup> As of January 2020.  
<sup>2</sup> Reflects institutional investors only.